

**CIRCE S. DURAN AND ANTERO S. GASPAR, PETITIONERS, VS.
INTERMEDIATE APPELLATE COURT, ERLINDA B.
MARCELO--TIANGCO AND RESTITUTO TIANGCO, RESPONDENTS.**

G.R. No. 64159. September 10, 1985

Ponente: RELOVA, J.

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RELOVA, J.:

The respondent then Court of Appeals rendered judgment, modifying the decision of the then Court of First Instance of Rizal, which reads as follows:

- the complaint of the plaintiffs (herein petitioners) is hereby DISMISSED;
- the defendants-appellants spouses Erlinda B. Marcelo Tiangco and Restituto Tiangco (herein private respondents) are hereby declared the lawful owners of the two (2) parcels of land and all the improvements thereon including the 12-door apartment thereon described in the complaint, in the counterclaim, in the cross-claim, and in the Sheriff's Certificate of Sale;
- the plaintiffs-appellants and the defendant-appellee Fe S. Duran are hereby ordered to deliver to (the Tiangcos) the two parcels of land and all the improvements thereon including the 12-door apartment thereon, subject matter of the complaint, counterclaim, and cross-claim, and in the Sheriff's Certificate of Sale;
- the plaintiffs-appellants and the defendant-appellee Fe S. Duran are hereby ordered to pay solidarily to the Tiangcos the sum of Two Thousand Four Hundred Pesos (P2,400) a month from May 16, 1972 until delivery of possession of the properties in question to said Tiangco spouses, representing rentals collected by plaintiffs-appellants and defendant-appellee Fe S. Duran;
- the plaintiffs-appellants and defendant-appellee Fe S. Duran are hereby ordered to pay solidarily to the spouses Tiangco the sum of Twenty Thousand Pesos (P20,000) as damages for attorney's fees, and the sum of Twenty-Five Thousand Pesos (P25,000) for moral damages, and the costs." (pp. 149-150, Rollo)

The antecedent facts showed that petitioner Circe S. Duran owned two (2) parcels of land (Lots 5 and 6, Block A, Psd 32780) covered by Transfer Certificate of Title No. 1647 of the Register of Deeds of Caloocan City which she had purchased from the Moja Estate. She left the Philippines in June 1954 and returned in May 1966.

On May 13, 1963, a Deed of Sale of the two lots mentioned above was made in favor of Circe's mother, Fe S. Duran who, on December 3, 1965, mortgaged the same property to private respondent Erlinda B. Marcelo-Tiangco. When petitioner Circe S. Duran came to know about the mortgage made by her mother, she wrote the Register of Deeds of Caloocan City informing the latter that she had not given her mother any authority to sell or mortgage any of her properties in the Philippines. Failing to get an answer from the registrar, she returned to the Philippines. Meanwhile, when her mother, Fe S. Duran, failed to redeem the mortgage properties, foreclosure proceedings were initiated by private respondent Erlinda B. Marcelo-Tiangco and, ultimately, the sale by the sheriff and the issuance of Certificate of Sale in favor of the latter.

Petitioner Circe S. Duran claims that the Deed of Sale in favor of her mother Fe S. Duran is a forgery, saying that at the time of its execution in 1963 she was in the United States. On the other hand, the adverse party alleges that the signatures of Circe S. Duran in the said Deed are genuine and, consequently, the mortgage made by Fe S. Duran in favor of private respondent is valid.

With respect to the issue as to whether the signature of petitioner Circe S. Duran in the Deed of Sale is a forgery or not, respondent appellate court held the same to be genuine because there is the presumption of regularity in the case of a public document and "the fact that Circe has not been able to satisfactorily prove that she was in the United States at the time the deed was executed in 1963. Her return in 1966 does not prove she was not here also in 1963, and that she did not leave shortly after 1963. She should have presented her old passport, not her new one. But even if the signatures 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 (1970-72) 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)."

In elevating the judgment of the respondent appellate court to Us for review, petitioners discussed questions of law which, in effect and substance, raised only one issue and that is whether private respondent Erlinda B. Marcelo-Tiangco was a buyer in good faith and for value.

Guided by previous decisions of this Court, good faith consists in the possessor's belief that the person from whom he received the thing was the owner of the same and could convey his title (*Arriola vs. Gomez dela Serna*, 14 Phil. 627). Good faith, while it is always to be presumed in the absence of proof to the contrary, requires a well-founded belief that the person from whom title was received was himself the owner of the land, with the right to convey it (*Santiago vs. Cruz*, 19 Phil. 148). There is good faith where there is an honest intention to abstain from taking any unconscientious advantage from another (*Fule vs. Legare*, 7 SCRA 351). Otherwise stated, good faith is the opposite of fraud and it refers to the state of mind which is manifested by the acts of the individual concerned. In the case at bar, private respondents, in good faith relied on the certificate of title in the name of Fe S. Duran and as aptly stated by respondent appellate court "[e]ven on the supposition that the sale was void, the general rule that the direct result of a previous illegal contract cannot be valid (on the theory that the spring cannot rise higher than its source) cannot apply here for We are confronted with the functionings of the Torrens System of Registration. The doctrine to follow is simple enough: a fraudulent or forged document of sale may become the ROOT of a valid title if the certificate of title has already been transferred from the name of the true owner to the name of the forger or the name indicated by the forger." (p. 147, Rollo)

Thus, where innocent third persons relying on the correctness of the certificate of title issued, acquire rights over

the property, the court cannot disregard such rights and order the total cancellation of the certificate for that would impair public confidence in the certificate of title; otherwise everyone dealing with property registered under the torrens system would have to inquire in every instance as to whether the title had been regularly or irregularly issued by the court. Indeed, this is contrary to the evident purpose of the law. Every person dealing with registered land may 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. Stated differently, an innocent purchaser for value relying on a torrens title issued is protected. A mortgagee has the right to rely on what appears in the certificate of title and, in the absence of anything to excite suspicion, he is under no obligation to look beyond the certificate and investigate the title of the mortgagor appearing on the face of said certificate.

Likewise, We take note of the finding and observation of respondent appellate court in that petitioners were guilty of estoppel by laches "in not bringing the case to court within a reasonable period. Antero Gaspar, husband of Circe, was in the Philippines in 1964 to construct the apartment on the disputed lots. This was testified to by Circe herself (tsn., p. 41, Nov. 27, 1973). In the process of construction, specifically in the matter of obtaining a building permit, he could have discovered that the deed of sale sought to be set aside had been executed on May 13, 1963 (the building permit needed an application by the apparent owner of the land, namely, Circe's mother, Fe S. Duran). And then again both plaintiffs could have intervened in the foreclosure suit but they did not. They kept silent until almost the last moment when they finally decided, shortly before the sheriff's sale, to file a third-party claim. Clearly, the plaintiffs can be faulted for their estoppel by laches." (p. 148, Rollo)

IN VIEW OF THE FOREGOING, We find the petition without merit and hereby AFFIRMED in toto the decision of respondent appellate court promulgated on August 12, 1981.

SO ORDERED.

Teehankee, (Chairman), Melencio-Herrera, Plana, Gutierrez, Jr., De la Fuente, and Patajo, JJ., concur.

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