

DAVAO GRAINS INCORPORATED AND LAPANDAY AGRICULTURAL AND DEVELOPMENT CORPORATION, PETITIONERS, VS. INTERMEDIATE APPELLATE COURT, PROTACIO ESPINA AND MARCIAL ESPINA, RESPONDENTS.

G.R. No. 78209. March 31, 1989

Ponente: GANCAYCO, J.

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GANCAYCO, J.

There are two main issues in this petition: (1) Does a piece of public land which was applied for as a homestead but was awarded to the applicant in a cadastral proceeding cease to be a homestead?; and (2) Is the vendee who purchased such land covered by a cadastral title bound by the conditions of the purchase of a homestead?

The parcel of land in question is situated in Asuncion, in the province of Davao.

Protacio Espina and Marcial Espina, private respondents herein, entered the said parcel of land after the liberation of the Philippines in 1945. Upon learning that the land was already abandoned, private respondents settled thereon, cleared and developed the same and built their houses on the said property. On April 28, 1954, private respondents filed a homestead application for the land and paid the necessary fees. Pending the issuance of a patent, cadastral proceedings were initiated by the government covering all lands in the said town. Accordingly, all applicants and claimants were required to file their respective answers. Private respondents filed their answer in the cadastral proceeding for the said land. On June 19, 1970, Decree No. N-130436 was issued in their favor. Thereafter, Original Certificate of Title (OCT) No. 0-2440 covering said property was issued in their favor.[1]

On May 28, 1975,[2] private respondents sold said property to petitioner Lapanday Agricultural Development Co. (Lapanday for short) for a consideration of P24,520.40.[3] OCT. No. 0-2440 was cancelled and in lieu thereof Transfer Certificate of Title (TCT) No. T-19171 was issued in the name of petitioner Lapanday. Shortly thereafter, Lapanday sold the land to Davao Grains, Inc., one of the petitioners herein. TCT No. T-19171 was cancelled and in lieu thereof TCT No. T-20083 was issued in favor of petitioner Davao Grains, Inc. on November 10, 1975.

On March 24, 1980, private respondents filed an action to repurchase said property against the petitioners with the then Court of First Instance (CFI) of Davao Branch III, docketed as Civil Case No. 1235. Private respondents alleged that Lot No. 138 is a homestead and is, therefore subject to repurchase under Sections 118 and 119 of Commonwealth Act No. 141, otherwise known as the Public Land Act. On January 15, 1982, the trial court rendered a judgment dismissing the complaint holding that repurchase was not available to private respondents herein on the ground that Lot No. 138 was not a homestead but a cadastral lot. For failure of private respondents to appeal the decision within the reglementary period, the judgment became final and executory.

On August 19, 1983, after the lapse of one year and seven months from the finality of the decision in Civil Case No. 1235, private respondents filed another action to recover the same property. This time they filed an action for

annulment of the above mentioned sales in the Regional Trial Court of Davao, Branch I, docketed as Civil Case No. 1779. Petitioner Lapanday filed an answer to the complaint while petitioner Davao Grains Inc. was declared in default. During the pre-trial conference, the following were admitted and stipulated:[4]

I — Admissions and Stipulations;

1) That the land in question is Lot No. 138 of the cadastral survey of Saug, Cadastral Case No. N-6, LRC Cad. Record No. N-430 situated at the Barrio of Cambanogoy, Municipality of Saug, now Asuncion, Province of Davao, covered by Original Certificate of Title No. 0-2440 issued in the names of Protacio Espina and Marcial Espina by virtue of Decree No. N-130436;

2) That the aforesaid original certificate of title was cancelled by Transfer Certificate of Title No. T-19171 in the name of defendant Lapanday Agricultural Development Corporation;

3) That Transfer Certificate of Title No. T-19171 was subsequently cancelled by Transfer Certificate of Title No. T-20083 in favor of Davao Grains Incorporated on November 10, 1975 which is now the present owner of the property;

4) That in the record of Civil Case No. 1235 there is a Xerox copy of a homestead application covering Lot No. 138, filed with the Bureau of Lands by Pablo Gozo, which was later assigned Homestead Application No. 248756 and approved on November 7, 1941, per xerox copy of the order of approval application, also found in the record of Civil Case No. 1235. In the same record of Civil Case No. 1235 there is a xerox copy of an affidavit executed by Gaudencio Munda and Rosito Egina, dated April 10, 1954, and another Xerox copy of an affidavit executed by Marcial Espina, likewise dated April 10, 1954. There is also a xerox copy of a homestead application found in Civil Case No. 1235, in the name of Marcial Espina, covering the same Lot No. 138, dated April 10, 1954, which he filed with the Bureau of Lands on April 17, 1954;

5) That Lapanday Agricultural Development Corporation admits the existence of the aforesaid xerox copies of the documents relating to the homestead applications of Pablo Gozo and Marcial Espina;

6) That the plaintiffs sold the land in question to Lapanday Agricultural Development Corporation on May 28, 1975 for a consideration of P24,520.40, as evidenced by a deed of sale identified as Document No. 480, Page No. 99, Book No. I, Series of 1975 in the register of Notary Public Armando L. Dominguez of Davao City;

7) That the said land in question was already litigated between the same parties in Civil Case No. 1235 of the defunct Court of First Instance, Branch III, on a cause of action for repurchase of homestead land, under the provisions of the Public Land Law, but plaintiffs lost the case;

8) That it was the plaintiffs who offered the property for sale in favor of Lapanday Agricultural Corporation;

9) That plaintiff Marcial Espina is now 71 years old while plaintiff Protacio Espina is 78 years old.

On February 14, 1984, the court a quo rendered a decision declaring that the approval of private respondents' homestead application had the effect of segregating the land from the public domain and of divesting the Bureau of Lands of the control and possession of the same and declared thus that both sales and Transfer Certificates of Title Nos. T-19171 and T-20083 in favor of the petitioners are null and void. The court directed the reinstatement of OCT No. 0-2440 in the name of private respondents free from all liens and encumbrances and for private respondents to refund Davao Grains Inc. the sum of P24,520.40.

Petitioners seasonably appealed to the Court of Appeals alleging in the main that it is an error to consider the lot as a homestead whereas the land is covered by a cadastral title. They also set up as a defense the principle of estoppel on the ground that an action to repurchase the lot is directly in conflict with the action for annulment of

the sale and that for failure to appeal from the judgment of dismissal in Civil Case No. 1235 res judicata has set in against private respondents. On March 30, 1987, the appellate court dismissed the appeal and affirmed the decision appealed from in all respects.[5]

Hence, the present petition.

The doctrine that the approval of the application for the homestead has the effect of segregating the land from the public domain and divesting the Bureau of Lands of the control and possession of the same is well-settled.[6]

Considering that the land in question was originally applied for as homestead by Gozo, the first occupant, and his homestead application was duly approved on November 7, 1941, the property in question is therefore a homestead. Effectively thereby, the property was segregated from the land of the public domain. The fact that the original occupant abandoned the same does not divest the land of its character as a homestead.

After the land was abandoned by the original occupant it was later occupied by private respondents herein who cleared and developed the same and later on filed their homestead application over the land and paid the necessary fees therefor. However, pending approval thereof, the land was placed under cadastral proceedings where private respondents actively participated and as a result of which a decree was issued in their names, followed by the issuance of an Original Certificate of Title in their names.

Petitioners contend that the appellate court erred in holding that the land in question is a homestead when the homestead application of private respondents was never approved. Petitioners stress that since the land was awarded by virtue of a cadastral proceedings then it is a cadastral lot and hence outside of the ambit of the prohibitory rules of Sections 118 and 119 of the Public Land Act.

Contrary to the findings of respondent court there is no evidence that private respondents' homestead application was ever approved. This must be the reason they participated in the cadastral proceedings. However, this notwithstanding, the conclusion arrived at by the respondent court that the lot in question is a homestead is correct. In the case of *Susi vs. Razon, et al.*,[7] the Court ruled that where all necessary requirements for a grant by the government are complied with through actual possession openly, continuously and publicly, with a right to a certificate of title to said land under the provisions of Act No. 2874 amending Act No. 926,[8] the possessor is deemed to have already acquired by operation of law not only a right to a grant, but a grant of the government for it is not necessary that a certificate of title be issued in order that said grant may be sanctioned by courts — an application therefor being sufficient under the provisions of Section 47 of Act No. 2874.[9]

However, as provided for in Section 122 of the Land Registration Act[10] in relation with Section 38 thereof, the deed, grant or instrument of conveyance from the government to the grantee shall not take effect as a conveyance or bind the land, but shall operate only as a contract between the Government and the grantees and as evidence of authority to the clerk or register of deeds to make registration. It is the act of registration that serves as an operative act to convey the land. As ruled earlier in the case of *Republic of the Philippines vs. Heirs of Carle*,[11] actual conveyance of such land is to be effective only upon such registration which shall be the operative act to convey and affect the land. The main purpose and intention of the framers of the law is to make such registration as notice to the whole world that the land is subject to no further conveyance and to bring it within the ambit of Sections 118, 119 and 121 of the Public Land Act which protect the right of the homesteader and his heirs over the land. Stated otherwise, in the absence of such registration, a vendee thereof is not bound by the restrictions in the purchase of a homestead unless said vendee has actual knowledge previous to the sale or at the very moment of purchase that the land indeed is a homestead.

Considering that the subject land was titled by virtue of a cadastral survey and the fact that it was a homestead

does not appear on the face of the title of said land nor was it established that the petitioners were aware of the true nature of the land, thus the sale executed by private respondents in favor of Lapanday and the subsequent sale made by the latter in favor of Davao Grains are therefore valid and binding.

It is well-settled that where innocent third persons, relying on the correctness of the certificate of title thus issued, acquire rights over the property, the court cannot disregard such rights and order the cancellation of the certificate. Every person dealing with registered lands 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.[12]

IN VIEW OF THE FOREGOING, the petition for review is hereby GRANTED and the decision of the appellate court dated March 30, 1987 is hereby SET ASIDE and a new decision is hereby rendered declaring the sale in favor of Lapanday and Davao Grains, Inc. valid together with Transfer Certificates of Title Nos. T-19171 and T-20083. This decision is immediately executory.

SO ORDERED.

Narvasa, Cruz and Medialdea, JJ., concur.

Griño-Aquino, J., concur in the result.

[1] Lot. No. 138 of the Cadastral Survey of Saug. Cadastral Case No. N-6 I-RC Cad. Record No. N-430.

[2] Four (4) years, eleven (11) months and twenty-two (22) days from the issuance of Decree No. N-130436.

[3] Deed of Sale. Document No. 480. Page 99. Book No. 1. Series of 1975 in the Register of Notary Public. Armando L. Dominguez of Davao City.

[4] Pages 19 to 21. Rollo.

[5] Pages 17 to 23. Rollo.

[6] Diaz A Reyes vs. Macalinao. et al 102 Phil. 999 (1958).

[7] 48 Phil. 424 (1956)

[8] Carried over as Chapter VIII of Commonwealth Act No. 141.

[9] Reproduced as Section 50. Commonwealth Act. No. 141.

[10] Act No. 496.

[11] 105 Phil. 1227 (1959).

[12] Director of Lands vs. Abache, et al., 73 Phil. 606 (1942).

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