

APOLONIO EGAO AND BEATRIZ EGAO, PETITIONERS, VS. THE HONORABLE COURT OF APPEALS (NINTH DIVISION), SEVERO DIGNOS AND SEVERO BONTILAO, RESPONDENTS.

G.R. No. 79787. June 29, 1989

Ponente: PADILLA, J.

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PADILLA, J.:

This is a land dispute which culminated in the filing by private respondents Severo Dignos and Severo Bontilao of a verified complaint for Quieting of Title and/or Recovery of Possession and Ownership before the RTC of Manolo Fortich, Bukidnon,[*] against petitioners Apolonio and Beatriz Egao.

Private respondents' complaint alleged that they are the legitimate owners and possessors of two (2) parcels of land situated at Lonocan, Manolo Fortich, Bukidnon, per deed of absolute sale dated 21 December 1979 which, among others, recited thus:

"WHEREAS, the abovementioned Parcels of land Lot No. 662 is covered by Original Certificate of Title No. P3559 Free Patent No. 298112 registered in the name of APOLONIO EGAO married to Beatriz Menosa and Lot No. 661 is covered by Original Certificate of Title No. P3558 Free Patent No. 303249 registered in the name of RAULITA CONEJOS married to Pedro Conejos, all transcribed in the Registration Book in the Register of Deeds for the Province of Bukidnon;

"WHEREAS, Lot No. 662 has been transferred in ownership from BEATRIZ MENOSA EGAO, married to Apolonio Egao in favor of ROBERTO N. MARFORI per Deed of Absolute Sale executed before Tommy C. Pacana, Notary Public of Cagayan de Oro City entered in his Notarial Registry under Doc. No. 75; Page No. 15; Book V; Series of 1965; and Lot No. 661 likewise has been transferred in ownership from RAULITA R. CONEJOS in favor of ROBERTO N. MARFORI per Deed of Absolute Sale executed before Tommy C. Pacana, Notary Public of Cagayan de Oro City, dated June 3, 1965, entered in his Notarial Registry under Doc. No. 20; Page 4; Book V; Series of 1965.

"WHEREAS, the VENDEES herein is [sic] aware of the fact that the Certificate of Title over the abovementioned parcels of land have not yet been transferred in favor of ROBERTO N. MARFORI except for the tax declarations but that the VENDOR herein is in actual, physical, continuous, uninterrupted, and adverse possession of the above described parcels of land free from all liens and encumbrances whatsoever";[1]

Allegedly, upon purchase of Lot No. 662 from Roberto Marfori, improvements were introduced and taxes paid by private respondents. Sometime in June 1983, herein petitioners allegedly occupied illegally portions of the land.[2]

Petitioners' answer to the complaint asserted that Apolonio Egao is the registered owner of the parcel of land known as Lot No. 662, Pls 854 with an area of 3,451 sq. meters evidenced by OCT No. P-3559 issued by the Register of Deeds of Bukidnon pursuant to Free Patent No. 298112 dated 12 August 1965; that he (Apolonio Egao) and his family have been in actual, physical, adverse, open and continuous possession thereof even before the issuance to him of the free patent; that the land has never been sold by reason of the prohibition against alienation under Commonwealth Act No. 141 (Public Land Law); and that the instant case was the fourth in a series filed against the Egaos and is part of respondents' scheme to grab said parcel of land from the petitioners.

Judge Felicidad M. Batoy ruled in favor of the Egaos, herein petitioners (defendants in the court a quo), ordering respondent Severo Bontilao (plaintiff in the court a quo) to immediately deliver to the Egaos the owner's duplicate copy of Original Certificate of Title No. P-3559. Said trial judge held:

"In the instant case, granting arguendo, that defendants executed the 2 documents in favor of Marfori (Exhs. A & B) after the filing of the application for free patent but before the issuance of the latter, without the approval of the Director of Lands, upon issuance of Free Patent No. 298112 on August 12, 1965, the said deeds of sale (Exhs. A & B) were ipso facto cancelled or superseded by said free patent. Moreover, it appears from the evidence that defendants never vacated or abandoned their possession of Lot No. 662 as they have continuously lived on said lot since 1950, a fact admitted by the plaintiffs themselves. And as long as Original Certificate of Title No. P-3559 remains in the name of defendant Apolonio Egao, married to Beatriz Menoza Egao, this is the ultimate and best evidence of title granted by the government which must be honored and respected by the courts. In a nutshell, the plaintiffs miserably failed to present or show any title to Lot No. 662, PLS-854 which should be quieted or freed from any cloud of doubt as prayed for in their complaint and they further failed to show that they are entitled to the ownership and possession to Lot No. 662, PLS-854." [3]

Private respondents went to the Court of Appeals in CA-G.R. No. 09539. Setting aside the RTC decision, the appellate court[**] held, in part, thus —

"That the land is titled in the name of defendant Apolonio Egao is not in question. The main point in issue is whether defendants could validly sell the land to Marfori who in turn transferred ownership thereof to the plaintiffs." [4]

Marfori and Egao were both held by the Court of Appeals in *pari delicto* for violating the five (5) year restriction under Sec. 118, Commonwealth Act No. 141 as amended by Act No. 496 against encumbrance or alienation of lands acquired under a free patent or homestead; hence, they cannot, according to the appellate court, seek affirmative relief, but respondents on the other hand were declared innocent purchasers for value who obtained the owner's duplicate copy of the OCT (still in the name of the Egaos) from Marfori who transferred to them (respondents) physical possession of the property. Finally, the Court of Appeals held:

"WHEREFORE, the decision appealed from is hereby SET ASIDE and a new one is rendered:

1. Declaring the plaintiffs as the absolute owners of the land known as Lot No. 662, Pls-854 of the Land Registry of Bukidnon;

2. Ordering the Register of Deeds of Bukidnon to effect the cancellation of Original Certificate of Title No. P-3559 in the name of Apolonio Egao and in lieu thereof, another one be issued in the names of plaintiffs, after payment of the proper fees;

3. Ordering the defendants to surrender peaceful possession of the land to plaintiffs and to desist from further disturbing the possession over the land of plaintiffs;

4. Ordering the defendants to pay the costs.

SO ORDERED."[5]

Petitioners turn to this Court for relief, assailing the appellate court for allegedly committing grave abuse of discretion amounting to lack of jurisdiction in holding that:

a. Petitioners sold Lot 662 to Roberto Marfori;

b. It was only in 1983 when Petitioners wrested possession over the land from private Respondents;

c. Petitioners never denied the sales made in favor of Marfori, in their answer;

d. Private Respondents are "innocent purchasers for value." [6]

and/or for allegedly deciding questions of substance not in accordance with law and/or applicable decisions of this Court.

Without giving due course to the petition, the Court required respondents to comment.[7] After comment, the Court resolved to require petitioners to file a reply, which they did. Respondents filed a rejoinder. Considering the allegations, issues and arguments adduced, the Court resolved to give due course to the petition. Upon submission by the parties of their respective memorandum, the petition was submitted for decision.[8]

Validity of the Deeds of Sale executed between Marfori (as purchaser) and the petitioners (as sellers) is the main issue to be resolved, in determining respondents' right over the disputed land, the respondents being the transferees of Marfori.

It is undisputed that Free Patent No. 298112 was issued to petitioner Apolonio Egao over Lot No. 662 on 12 August, 1965. Sec. 118 of Commonwealth Act No. 141, as amended, prohibits the alienation or encumbrance, within a period of five (5) years from the date of issuance of the patent, of lands acquired under free patent or homestead. Assuming, arguendo, the authenticity of the Deeds of Sale executed by the Egaos in favor of Marfori over portions of Lot No. 662 (the land in question), dated 7 May 1964, 14 January and 6 October 1965, it clearly appears that all deeds were executed within the prohibited period of five (5) years. As correctly found by the appellate court —

"Section 124 of the Public Land Act provided [sic] that any acquisition, conveyance, alienation, transfer or other contract made or executed in violation of any of the provisions of Sections 118, 121, 120, 122 and 123 of this Act shall be unlawful, null and void from its execution and shall produce the effect of annulling and cancelling the grant, title, patent or permit originally issued, recognized or confirmed actually or prescriptively, and cause the reversion of the property and its improvements to the state." [9]

Petitioners deny the authenticity and due execution of the notarized deeds of sale in favor of Marfori, asserting continued ownership over the land by virtue of a Torrens Certificate of Title issued in their name. While the Court is not satisfied with respondents' explanation of their failure to present the notaries public (who were residents of a neighboring province) to affirm their participation in the preparation of the Deeds, the Court also finds as insufficient the mere denials by petitioners as to due execution and authenticity of said Deeds of Sale. A notarial document is evidence of the facts in clear unequivocal manner therein expressed. It has in its favor the presumption of regularity. To contradict all these, there must be evidence that is clear, convincing and more than merely preponderant. [10] The question of authenticity being one of fact, the Court will not disturb the conclusions of the Court of Appeals on the matter.

Original Certificate of Title No. P-3559 over the land in dispute was issued on 1 March 1966, a few months after the execution by the Egaos of the last Deed of Sale in favor of Marfori. [11] The OCT is registered in the name of the Egaos, herein petitioners.

A Torrens title, once registered, cannot be defeated, even by adverse, open, and notorious possession. A registered title under the Torrens system cannot be defeated by prescription. The title, once registered, is notice to the world. All persons must take notice. No one can plead ignorance of the registration. [12]

Contrary to the appellate court's conclusion, respondents are not innocent purchasers for value. [13] An "innocent purchaser for value" is deemed, under the Torrens system, to include an innocent lessee, mortgagee or other encumbrancer for value. [14] Where a purchaser neglects to make the necessary inquiries and closes his eyes to facts which should put a reasonable man on his guard as to the possibility of the existence of a defect in his vendor's title, and relying on the belief that there was no defect in the title of the vendor, purchases the property without making any further investigation, he cannot claim that he is a purchaser in good faith for value. [15]

Furthermore, a private individual may not bring an action for reversion or any action which would have the effect of cancelling a free patent and the corresponding certificate of title issued on the basis thereof, with the result that the land covered thereby will again form part of the public domain, as only the Solicitor General or the officer acting in his stead may do so. [16]

The rule of *pari delicto non oritur actio* (where two persons are equally at fault neither party may be entitled to relief under the law), admits of exceptions and does not apply to an inexistent contract, such as, a sale void ab initio under the Public Land Act, when its enforcement or application runs counter to the public policy of preserving the grantee's right to the land under the homestead law. [17]

Sec. 51, par. 2 of the Property Registration Decree (PD 1529), formerly Sec. 50 of the Land Registration Act (Act No. 496) expressly provides that the registration of the Deed is the operative act that binds or affects the land insofar as third persons are concerned. The law requires a higher degree of prudence from one who buys from a person who is not the registered owner, when the land object of the transaction is registered land. While one who buys from the registered owner need not look behind the certificate of title, one who buys from another who is not the registered owner is expected to examine not only the certificate of title but all factual circumstances necessary for him to determine if there are any flaws in the title of the transferor, or in his capacity to transfer the land. Failing to exercise caution of any kind whatsoever is tantamount to bad faith. [18]

Deeds of sale of patented lands, perfected within the prohibited five (5) year period are null and void (Sec. 124, Public Land Act). No title passed from the Egaos to Marfori which could be validly transferred to herein respondents Bontilao and Dignos. Nemo dat quod non habet (nobody can dispose of that which does not belong to him).[19]

While the government has not taken steps to assert its title, by reversion, to a homestead sold in violation of the Public Land Act, the vendor or his heirs is better entitled to the possession of the land, the vendee being in no better situation than any intruder.[20]

Accordingly, respondents who are not innocent purchasers for value have no standing to question petitioners' right to the land and to file an action for quieting of title.

WHEREFORE, the appealed decision of the Court of Appeals in CA G.R. CV No. 09539 is REVERSED and SET ASIDE. Meanwhile, petitioners as registered owners are entitled to remain in physical possession of the disputed property. Respondents are ordered to deliver the owner's duplicate copy of the OCT (No. P-3559) to petitioners, without prejudice to an action for reversion of the land, which may be instituted by the Solicitor General for the State.

Let a copy of this decision be furnished the Solicitor General.

SO ORDERED.

Melencio-Herrera (Chairperson), Sarmiento, and Regalado, JJ., concur.

Paras, J., took no part. Wife concurred in CA decision.

[*] Br. XI, Judge Felicidadario M. Batoy, presiding; case docketed as Civil Case No. 61.

[1] Rollo at 16.

[2] Rollo at 10.

[3] Rollo at 28.

[**]Ninth Division — Associate Justice Jose C. Campos, Jr. ponente, JJ., Gloria C. Paras and Conrado Limcaoco, concurring.

[4] Rollo at 47.

[5] Rollo at 48.

[6] Rollo at 5.

[7] Rollo at 56.

[8] Rollo at 138-142, 147-152.

[9] Rollo at 48.

[10] Yturalde v. Aganon, 28 SCRA 407; Cabrera v. Villanueva, No. 75069, April 15, 1988, 150 SCRA 672.

[11] Rollo at 47.

[12] Legarda v. Saleeby, 31 Phil. 590, 595; see also Sec. 46 of Act 496, Land Registration Act,

[13] Tsn, p. 8, Oct. 24, 1984.

[14] Pena, Narciso, Registration of Land Titles & Deeds, 1980 revised edition, p. 124.

[15] Leung Yee vs. Strong Machinery Co., 37 Phil. 644.

[16] Sec. 101, Public Land Act applied. (Sumail vs. Judge of the Court of First Instance, et al., G.R. No. L-8278 prom., April 30, 1955; Lucas vs. Durian, et al., G.R. No. L-7886, Sept. 23, 1957; Acot et al. vs. Kempis, 55 O.G., p. 2907, April 20, 1959).

[17] Castro v. Escutin, G.R. No. L-27406, May 31, 1979, 90 SCRA 349, Gonzales v. Trinidad, 67 Phil. 682 (1939); De los Santos vs. Roman Catholic Church of Midsayap, et al., G.R. No. L-6088, February 25, 1954, 50 O.G. 1588.

[18] Barrios v. CA, No. L-32531, Aug. 31, 1977, 78 SCRA 427.

[19] Art. 1458, New Civil Code —

By the contract of sale one of the contracting parties obligates himself to transfer the ownership of and to deliver a determinate thing and the other to pay therefor a price certain in money or its equivalent. Azcona v. Reyes and Larracas, 59 Phil. 446; Coronel v. Ona, 33 Phil. 456.

[20] Noblejas, Antonio H., Land Titles & Deeds, 1968 edition with 1977 Supplement, p. 317. De los Santos vs. Roman Catholic Church, et al., G.R. No. L-6088, February 25, 1954.

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