

EDUARDO V. SANTOS, PETITIONER, VS. THE HONERABLE COURT OF APPEALS AND AMBROSIO AGUILAR, RESPONDENTS.*G.R. No. 90380. September 13, 1990*

Ponente: GANCAYCO, J.

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The land ownership dispute in this case revolves around the issue of whether or not benefits or the benefits of the torrens system apply to the holder of a transfer certificate of title derived from an invalid original certificate of title.

As early as 1920 Fermin Lopez, the father of private respondent's predecessor-in-interest, Hermogenes Lopez, was in possession of a parcel of land located in Antipolo, Rizal, with an area of 19 hectares, 48 ares and 88 centares. Fermin Lopez declared the land in his name for taxation purposes and filed a homestead application therefor sometime in 1929 but died in 1934 before his application could be approved. After his death his son Hermogenes continued to occupy, possess and cultivate the land.

In the early part of 1936, Hermogenes Lopez went to the Bureau of Lands and inquired about his father's homestead application. He was informed that said application was still unacted upon and was advised to apply in his own name. He complied and his application was docketed as homestead application no. 138612. Subsequently, he was able to prove compliance requirements of the Public Land Act and, as a matter of course, the land was surveyed by a government surveyor and on 7 February 1939 the resulting plan H-138612 was approved by the Director of Lands. The latter thereafter ordered the issuance of the corresponding patent in the name of Hermogenes Lopez.[1] He has been in actual and continuous possession thereof and was recognized as its owner until he transferred his rights to Ambrocio Aguilar, private respondent herein, on 31 July 1959.

Petitioner Eduardo V. Santos, on the other hand, claims that the same parcel of land was titled in the name of Fernando Gorospe on 24 August 1944 under Original Certificate of Title (OCT) No. 537 pursuant to Free Patent No. 54072 based on homestead application no. 138612 also in Gorospe's name.[2] By virtue of a deed of sale executed by Gorospe in favor of the spouses Salvador P. de Tagle and Rosario G. de Tagle, OCT No. 537 was cancelled and in lieu thereof, Transfer Certificate of Title (TCT) No. 46580 was issued on 17 August 1944 in the latters' names.[3] When the de Tagle spouses sold the land to Antonio de Zuzuarregui Sr., on 9 December 1947, TCT No. 46580 was also cancelled and substituted with TCT No. 7375 issued in his name.

Upon de Zuzuarregui Sr.'s death the same parcel of land was adjudicated to his widow Beatriz de Zuzuarregui in the project of partition duly approved by the probate court. As a consequence, TCT No. 7375 was cancelled and TCT No. 72438 was issued in the widow's name on 17 December 1959. It was the widow who sold the same parcel of land to herein petitioner Eduardo V. Santos on 16 December 1959 for P80,000.00 resulting in the subsequent cancellation of TCT No. 72438 and the issuance of TCT No. 72439 in his favor.[4]

Prior to that, or on 16 July 1959, Hermogenes Lopez filed an application for registration with the then Court of First Instance of Rizal, Seventh Judicial District, where it was docketed as General Land Registration

Commission Records No. 2531. Upon opposition of Beatriz de Zuzuarregui and petitioner Santos to the effect that the land had already been brought within the purview of the torrens system, it being registered at that time under TCT No. 7375 in the name of Antonio de Zuzuarregui Sr., the proceedings were suspended.[5]

On 21 December 1959, Hermogenes Lopez filed an action against Gorospe, the de Tagle spouses, the widow Zuzuarregui and petitioner Santos for annulment of OCT No. 537 and all pertinent transfer certificates of title issued thereafter. The case was eventually dismissed on the ground that Lopez was not the real party in interest because he had already sold his rights to private respondent.[6]

Private respondent then filed the case subject of this review docketed as civil Case No. 24873 against the same defendants. The parties agreed to adopt the entire records in the first case and submitted the same for decision. The trial court[7] found for private respondent and rendered judgment as follows:

"WHEREFORE, judgment is hereby rendered in favor of plaintiff and against defendants:

1. Declaring the plaintiff as the true and rightful owner of the land in question;
2. Declaring null and void ab initio Original Certificate of Title No. 537 and all subsequent transfer certificates of title emanating therefrom;
3. Dismissing the intervention of the Director of Lands; and
4. Ordering defendants to pay to plaintiff, jointly and severally: (a) P20,000.00 as moral damages; (b) P10,000.00 as and for attorney's fees, and (c) the costs of suit.

"The counterclaims are hereby dismissed.

"SO ORDERED."[8]

An appeal to the Court of Appeals did not prosper and the judgment of the lower court was affirmed in toto in a decision promulgated on 31 August 1989.[9] The motion for reconsideration was denied in the resolution promulgated on 5 October 1989.[10]

Petitioner is now before this Court and argues that, notwithstanding of the circumstances, he should still be considered the present owner of the parcel of land in question because his title is for times removed from the defect, if any, attending the issuance of the original certificate of title, making him an innocent purchaser for value. He assigns the following errors as grounds for review:

"I

THE COURT OF APPEALS ERRED IN RULING THAT ORIGINAL CERTIFICATE OF TITLE NO. 537 HAVING BEEN DECLARED BY IT AS VOID AB INITIO, PETITIONER CANNOT BE AFFORDED THE PROTECTION OF A PURCHASER IN GOOD FAITH UNDER THE TORRENS SYSTEM SINCE THE LAND IS CONSIDERED NOT COVERED BY THE TORRENS SYSTEM, -- IN VIOLATION OF SEC. 38 OF THE LAND REGISTRATION ACT (ACT NO. 496).

"II

THE COURT OF APPEALS ERRED IN REQUIRING FOR A PURCHASER TO BE CONSIDERED IN GOOD FAITH THAT HE INVESTIGATE NOT ONLY OWNER'S DUPLICATE TRANSFER CERTIFICATE OF TITLE OF HIS IMMEDIATE SELLER, BUT ALSO THE ORIGINAL CERTIFICATE OF TITLE, TO DETERMINE WHETHER THE SAME IS VALID OR NOT, -- IN VIOLATION OF TAJONERA VS. CA, 103 SCRA 473-474 AND DURAN VS. IAC, 138 SCRA 489.

"III

THE COURT OF APPEALS ERRED IN HOLDING THAT IT CAN RE-OPEN THE ISSUANCE OF ORIGINAL CERTIFICATE OF TITLE NO. 537 AND DETERMINE WHETHER IT WAS ISSUED VALIDLY FIFTEEN (15) YEARS AFTER ITS ISSUANCE, -- IN VIOLATION OF ALBIENDA VS. CA, 135 SCRA 407-409 (1985), AND ESCONDE VS. BARLONGAY, 152 SCRA 603 (1987).

"IV

THE COURT OF APPEALS ERRED IN NOT HOLDING THAT RESPONDENT AGUILAR IS BARRED BY PRESCRIPTION AND LACHES FROM BRINGING THE PRESENT ACTION AS RULED IN AMANSEC VS. MELENDEZ, 98 SCRA 639, PASCUA, ET AL. VS. HON. FLORENDO, ET AL., 136 SCRA 20 AND GUERRERO VS. CA, 126 SCRA 109."[11]

Petitioner's arguments hinge on whether or not the parcel of land in dispute was brought within the operation of the Land Registration Act. We rule that it never did. Accordingly, finding the assigned errors to be without merit, the petition must fail.

In reaffirming the declaration of nullity of OCT No. 537 we rely on *The Director of Lands v. Basilio Abache, et al.*, [12] where it was ruled that land is not affected by operations under the torrens system unless there has been an application to register it, and registration has been made pursuant to such application.[13] In that case, while the lot in question was awarded in a cadastral proceeding to movant therein, it was registered and a certificate of title was issued in the names of persons who never established their right over the same, i.e., they neither claimed the lot nor appeared at the trial. We affirmed the lower court's declaration nullity of the certificate of title and the order for the issuance of a new certificate of title in the name of movant.[14]

In case at bar, not only do the records indicate that Gorospe, petitioner's predecessor-in-interest, had not filed any application for the parcel of land in question; also, no evidence was submitted that the registration in Gorospe's name was made pursuant to a satisfactory showing of his compliance with the application requirements for homestead under the Public Land Act,[15] i.e., that he took possession and began to work on the land;[16] that he introduced improvements thereon and cultivated the same,[17] etc.

Compare Gorospe's record with the mountain of evidence in favor of private respondent. To support his predecessor-in-interest's claim of ownership, private respondent presented the following documents:

- "1) The original tracing cloth of Plan H-138612 (Exhibit "A-3") which was surveyed for Hermogenes Lopez;
- 2) The Microfilm of Plan H-138612, bearing the corresponding Accession No. 103378 (Exhibit "D-1");
- 3) The Whiteprint of Plan H-138612 also bearing the same Accession No. 103378 (Exhibit "D");
- 4) The inventory Book prepared in the year 1951 by the Bureau of Lands (Exhibit 'XX') containing a list of salvaged plans (among) which (was) x x x plan H-138612 as surveyed for Hermogenes Lopez;
- 5) The Index card of the Bureau of Lands (Exhibit 'XX-2') showing that Plan H-138612 is one of the salvaged plans and the same is in the name of Hermogenes Lopez;
- 6) The consolidated Plan AP-6450 (Exhibit 'X') prepared by the Bureau of Lands which shows that Hermogenes Lopez is the owner of the parcel of land covered by Plan H-138612;
- 7) Plans H-147383, Psu-146727 and F 1543 which all show that Hermogenes Lopez is one of the boundary owners."[18]

In addition to the foregoing public documents, also presented were persons connected with the Bureau of Lands

whose testimonies proved that Hermogenes Lopez filed a homestead application bearing No. H-138612 covering the land in question and that the same was duly processed by Bureau of Lands after he had complied with all requirements of the law. Said patent was duly approved and a corresponding homestead patent was issued in his favor.[19]

What irretrievably turns the tide against petitioner is the finding that there exists in the records of the Register of Deeds of Pasig two original certificates of title bearing No. 537 based on a free patent and covering two different lots situated in two different municipalities of Rizal, and registered in the names of two different persons. The first was for a parcel of land in Pililla, Rizal, registered in the name of a certain Simeon Alejar on December 23, 1933, the validity and regularity of which has never been questioned. The second is the questionable document registered on August 31, 1944 in the name of Fernando Gorospe.[20] The petition is silent on this aspect; petitioner does not even attempt to refute this. On the contrary, while petitioner avers that OCT No. 537 proceeds from a homestead application,[21] the spurious title on its face indicates that it was based on a free patent.[22]

It is thus only proper, based on the foregoing, that We affirm the declaration that OCT No. 537 is null and void ab initio and the land covered thereby as never having been brought under the operation of the torrens system. This brings the case, Section 38 of the Land Registration Act cannot be invoked in this instance. Parenthetically, it may be stated that Our rulings in *Baranda v. Baranda*[23] and *Abienda v. Court of Appeals*[24] cited by petitioner to support his contention do not apply to the facts of the case at bar because both involve situations where the original registration valid and Section 39 of the Land Registration Act was squarely applicable.

As a necessary and logical upshot of the foregoing discussion the concept of innocent purchaser for value cannot come into play. The holding of the Court of Appeals to this effect[25] cannot, therefore, be faulted. The Court, however, cannot rule that everyone dealing with titled property would have to check on the validity or invalidity of the original certificate of title as it may wreak havoc and impair public confidence on the torrens system. We follow the lead of *Abache* where on motion for reconsideration the Court modified its earlier holding[26] and ruled that 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 beyond the certificate to determine the condition of the property.[27]

This brings Us to the core of petitioner's second assigned error; whether or not he may be considered a purchaser in good faith and for value, which is defined as

"one who buys property of another, without notice that some other person has a right to or interest in such property and pays a full and fair price for the same, at the time of such purchase or before he has notice of the claims or interest of some other person in the property." [28]

Petitioner claims that the conclusions of the lower courts in that he could have traced the history of the land in question amount to requiring him to look behind the certificate of title of his immediate predecessor-in-interest, and should be considered reversible error. While there may be merit in said argument, the finding that petitioner is not an innocent purchaser for value is supported by other circumstances indicative of his lack of good faith. In addition, he failed to realize that, being the one asserting the status as such buyer in good faith and for value, he had the burden proving the same, which goes beyond merely invoking the ordinary presumption of good faith, i.e., that everyone is presumed to act in good faith.[29]

On the contrary, petitioner has made several admissions indicating previous knowledge of the controversial status of the coveted lot. Neither he nor his predecessor-in-interest ever had possession of the land in question. He also admitted his prior conviction for illegal construction for fencing the lot and constructing a hut thereon.[30] Most telling is his participation in opposing together with widow de Zuzuarregi the application for registration of

Hermogenes Lopez. When both intervened as oppositors, the land in question was still in the name of Antonio de Zazuarregi Sr.[31] In other words, petitioner already knew the existence of private respondent's adverse claim on the property and yet, he persisted in acquiring the same.

It is well-settled that a person dealing with registered land has the right to rely upon the face of the torrens title and to dispense with the trouble of inquiring further, except when the party concerned has actual knowledge of facts and circumstance that would impel a reasonably cautious man to make inquiry.[32] Petitioner cannot be considered a purchaser in good faith and for value not only because he failed to prove that he should enjoy that status but also because, as it is clear from the given circumstances, it is the exception that is applicable to this case.

The third and fourth assigned errors need not detain Us long. They are premised on the proposition that OCT No. 537 was validly issued such that making an inquiry into its issuance fifteen years after the fact is proscribed by the doctrines of indefeasibility of title, prescription and laches. These principles, however, cannot be properly invoked because as already settled above no title validly came into existence; nothing became indefeasible. Prescription under the law cannot be deemed to take place because there is no date from which to reckon the prescriptive period. Petitioner's reliance on *Esconde v. Parlongay*[33] -- involving a valid registration and the proper application of Section 38 of Act No. 496 -- is, therefore, misplaced.

As an applicant-possessor who has complied with all the necessary requirements for the grant by the government under the Public Land Act through actual possession openly, continuously and publicly, private respondent through his predecessor-in-interest is deemed to have already acquired by operation of law not only a right to a grant but the grant itself 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 law.[34]

Private respondent's action was correctly not for reconveyance based on fraud or on implied trust. It was in the nature of a quieting of title which does not prescribe for so long as he, a plaintiff proceeding from the rights of the predecessor-in-interest, is in possession of the property.[35] Private respondent cannot be deemed guilty of laches because both he and his predecessor-in-interest have always been in actual, open and continuous possession of the property. Moreover, laches is based on equity considerations[36] and under the facts of this case, equity is better served by finding for private respondent.[37]

WHEREFORE, the assailed decision of the respondent Court of Appeals is hereby **AFFIRMED**, with costs against petitioner.

SO ORDERED.

Narvasa, (Chairman), Cruz, Griño-Aquino, and Medialdea, JJ., concur.

[1] Page 33, Rollo.

[2] Page 10, Rollo. This is one of the irregularities noted by the trial court; although it appears on the very face of the certificate of title itself that OCT No. 537 was issued because of Homestead Plan H-138612, which was approved in the name of Lopez, the form used for OCT No. 537 is for a free patent and not for a homestead patent (Page 477, Records, Civil Case No. 24873).

[3] This means that OCT No. 537 was cancelled even before it was issued. The Court of Appeals also noted this anomaly (page 38, Rollo), just one of the many attending the issuance of OCT No. 537.

[4] Pages 10-11, Rollo.

[5] Pages 89-90, Rollo.

[6] Page 11, Rollo.

[7] Court of First Instance of Rizal, Seventh Judicial District, Branch XXII, Pasig, Judge Nelly L. Romero Valdellon, presiding.

[8] Pages 480-481, Records, Civil Case No. 24873.

[9] CA-G.R. CV. No. 07475, by the Eighth Division composed of Justices Fernando A. Santiago, Lorna S. Lombos-de la Fuente and Oscar M. Herrera, with Justice Santiago as ponente; Annex "A" to the Petition.

[10] Annex "B" to the Petition.

[11] Pages 8-9, Rollo.

[12] 73 Phil. 117, 119 [1941] and 75 Phil. 606 [1942].

[13] Citing W. Niblack, Analysis of the Torrens System S 154, pp. 237-238 [1912].

[14] Supra, note 12.

[15] Page 34, 40, Rollo.

[16] Section 13, C.A. No. 141, as amended.

[17] Ibid., section 14.

[18] Page 35, Rollo.

[19] Supra, at 36.

[20] Page 37, Rollo.

[21] Page 10, Rollo.

[22] Page 37, Rollo.

[23] 150 SCRA 59 [1987]. The case involves the issuance of a transfer of certificate of title by virtue of a forged deed of sale.

[24] 135 SCRA 402 [1985], where the registration was not questioned and the issue revolved only on whether or not the technical description in the title may be corrected to conform to the technical description in the survey return.

[25] Page 38, Rollo.

[26] One who succeeds in the interests of another by way of a certificate of title acquires no rights better than his predecessor.

[27] The modified ruling was reiterated in *Davao Grains Incorporated v. IAC* 171 SCRA 612, 619-620 [1989].

[28] *De Santos v. Intermediate Appellate Court*, 157 SCRA 295, 301 [1988].

[29] *Baltazar v. Court of Appeals*, 168 SCRA 354, 367 [1988].

[30] Page 39, Rollo.

[31] See note 5.

[32] Gonzales v. Intermediate Appellate Court, 157 SCRA 587, 595 [1988] and other cases cited therein.

[33] 152 SCRA 603 [1987].

[34] Davao Grains Incorporated v. IAC, supra, note 27, at 618, citing Susi v. Razon, et al., 48 Phil. 424 [1926].

[35] Sapto, et al., v. Fabiana, 103 Phil. 683, 687 [1958].

[36] Manila Railroad Co., v. Luzon Stevedoring Co. 100 Phil. 135, 145 [1956].

[37] Supra, note 12.

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