

FELICISIMA PINO, PETITIONER, VS. COURT OF APPEALS, DEMETRIA GAFFUD, ROMUALDO GAFFUD, ADOLFO GAFFUD & RAYMUNDO GAFFUD, RESPONDENTS.

G.R. No. 94114. June 19, 1991

Ponente: PARAS, J.

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PARAS, J.:

The decision of respondent Court of Appeals in CA-G.R. CV No. 21457 which affirmed in toto, the decision of the Regional Trial Court of Echague, Isabela, Branch 24 in Civil Case No. 24-0190, the dispositive portion of which latter decision reads:

“WHEREFORE, premises considered, judgment is hereby rendered:

“1. Declaring the Deed of Absolute Sale made by Rafaela Donato Vda. de Gaffud in favor of the defendant on June 10, 1970 over Lot 6-B of the subdivision plan (LRC) Psd-68395 being a portion of Lot 6 of the Echague Cadastre LRC Cad. Rec. No. 1063, containing an area of 11,095 square meters, more or less, null and void insofar as the shares of Cicero Gaffud and Raymundo Gaffud are concerned, which is one-half-thereof, or approximately 5,547.5 square meters, more or less;

“2. Ordering the cancellation of TCT No. 49380 in the name of the defendant;

“3. Ordering the defendant to reconvey one-half of the property subject of this proceeding to the plaintiffs within ten (10) days from finality of this Decision, failing which the same shall be done at the cost of the defendant by the Clerk of Court and such act, when so done, shall have like effect as if done by her;

“4. Ordering the defendant to pay the plaintiffs P5,000.00 by way of attorney’s fees.

“No costs.

“SO ORDERED.” (pp. 20-21, Rollo)

is now being assailed in the instant petition for Certiorari upon the ground -

THAT RESPONDENT COURT OF APPEALS COMMITTED A GRAVE ABUSE OF DISCRETION,
AMOUNTING TO LACK OF JURISDICTION -

I

WHEN IT ERRED IN CONCLUDING THAT THE PETITIONER IS NOT AN INNOCENT PURCHASER OF THE SUBJECT PROPERTY;

II

WHEN IT ERRED IN CONCLUDING THAT PRESCRIPTION WOULD NOT LIE TO BAR PRIVATE RESPONDENTS' ACTION; and

III

WHEN IT ERRED IN NOT DECLARING AS VALID THE TRANSFER OF THE SUBJECT PROPERTY FROM THE ORIGINAL REGISTERED OWNERS TO RAFAELA DONATO;

The pertinent background facts as found by the trial court and adopted by the respondent Court of Appeals in its now assailed decision are the following:

The property subject of the controversy is a parcel of land situated in Echague, Isabela, identified as Lot 6-B of the Subdivision Plan (LRC) Psd-68395, being a portion of Lot 6 containing an area of 11,095 square meters, more or less.

Lot 6 has an area of 12,799 square meters, more or less. It was acquired in 1924 by the spouses Juan Gaffud and Rafaela Donato. Juan Gaffud died in 1936. On January 11, 1938, Lot 6 was originally registered in the Registration Book of the Office of the Register of Deeds of Isabela, under Original Certificate of Title No. 4340 pursuant to Decree No. 650247 issued under L.R.C. Cadastral Record No. 1063 in the names of Rafaela Donato, Raymundo Gaffud and Cicero Gaffud (Raymundo and Cicero are the sons of the spouses) as co-owners thereof in fee simple subject to such of the incumbrances mentioned in Section 39 of said act and to Section 4, Rule 74, Rules of Court. The said lot was sold to Rafaela Donato through a Deed of Transfer which cancelled O.C.T. No. 4340 and in lieu thereof T.C.T. No. T-30407 was issued in the name of Rafaela Donato.

On February 25, 1967, Rafaela Donato sold a portion of said Lot 6, consisting of 1,704 sq. m., more or less in favor of Fortunato Pascua. The aforesaid sale caused the subdivision of the said Lot 6 into Lot 6-A containing an area of 1,704 sq. m., more or less, and Lot 6-B containing an area of 11,095 sq.m., more or less, under Subdivision Plan (LRC) Psd - 68395.

Upon registration of said sale in favor of Fortunato Pascua, Transfer Certificate of Title No. T--30407 was cancelled, and in lieu thereof, Transfer Certificate of Title No. T-32683 was issued in the name of Rafaela Donato on March 2, 1967 covering the land designated as Lot 6-B of the subdivision Plan (LRC) Psd-68395, being a portion of Lot 6 of the Echague Cadastre, LRC Cad. Rec. No. 1063, containing an area of 11,095 sq.m., more or less, which is the subject land. (RTC Decision dated November 15, 1988, p. 310 Record).

On June 10, 1970 Rafaela Donato sold to petitioner Felicisima Pino said Lot 6-B in consideration of P10,000.00 as evidenced by the Deed of Absolute Sale she executed in favor of petitioner Felicisima Pino which was notarized by her lawyer, Atty. Concepcion Tagudin (Exh. 1).

Rafaela Donato undertook to register the Deed of Absolute Sale with the Register of Deeds of Isabela and on July 13, 1970 the sale was inscribed therein under Entry No. 9286 and Transfer Certificate of Title No. T--49380 was issued in the name of Felicisima Pino.

On September 30, 1980, Cicero Gaffud died survived by his wife Demetria Gaffud and sons Romualdo Gaffud and Adolfo Gaffud who are the private respondents herein.

On March 9, 1982, private respondents filed a complaint for nullity of sale and reconveyance against petitioner - Felicisima Pino. Incidentally, the sale of the other portion (Lot A) of the same lot to Fortunato Pascua is not assailed by private respondents.

During the pendency of the case before the trial court, Rafaela Donato (who was not a party to the case) died on November 26, 1982.

On November 15, 1988, the trial court rendered its decision (the dispositive portion of which was earlier quoted in this decision) which was affirmed on appeal by the Court of Appeals, in its now assailed decision, the pertinent portion of which reads:

“The defense of an innocent purchaser for value would be of no help to appellant in the absence of the document on extra-judicial partition indicating that the conjugal property has been adjudicated to Rafaela Donato Vda. de Gaffud and which would be the source of her authority in transferring the subject property to defendant. The sensible thing to do by any prudent person is to examine not only the certificate of title of said property but also all the factual circumstances necessary for him to determine if there are any flaw in vendor’s capacity to transfer the land.

“Nor would prescription of action lie. An ordinary action for reconveyance based on fraud prescribes in four (4) years (*Lanera v. Lopos*, 106 Phil. 70). Appellant was a party to the alleged fraudulent transfer of the subject property, consequently, appellees have four (4) years to file an action to annul the deed of sale from the discovery of the fraudulent act. In the case at bar, appellees learned about the fraud on July 6, 1981 when they received a letter from the appellant (Exhibit D). The filing, therefore, of the complaint on March 9, 1982 (p. 1. Rec.) was within the prescriptive period.” (pp. 62-63, Rollo)

In elevating the judgment of the respondent Court of Appeals to Us for review petitioner prays that the appealed decision be reversed and another one entered declaring as valid (1) the sale of the subject property executed on June 10, 1970 in favor of petitioner Felicisima Pino by Rafaela Donato Vda. de Gaffud and (2) the Transfer Certificate of Title No. T-49380 issued in the name of petitioner by the Register of Deeds of Isabela on July 13, 1970 upon the grounds -

“(a) that private respondents has (sic) no cause of action against petitioner because she is an innocent purchaser for value of the subject property;

“(b) that the action of private respondents was already barred by prescription when it was filed; and

“(c) that the transfer of the subject property from the original registered owners to Rafaela Donato was valid.” (pp. 61-62, Rollo)

The rule applicable to this controversy is well-settled. Where the certificate of title is in the name of the vendor when the land is sold, the vendee for value has the right to rely on what appears on the certificate of title. In the absence of anything to excite or arouse suspicion, said vendee is under no obligation to look beyond the certificate and investigate the title of the vendor appearing on the face of said certificate. The rationale for the rule is stated thus:

“The main purpose of the Torrens System is to avoid possible conflicts of title to real estate and to facilitate transactions relative thereto by giving the public the right to rely upon the face of a Torrens Certificate of Title and to dispense with the need of inquiring further, except when the party concerned had actual knowledge of facts and circumstances that should impel a reasonably cautious man to make such further inquiry. (*Pascua v. Capuyoc*, 77 SCRA 78) Thus, where innocent third persons relying on the correctness of the certificate thus issued, acquire rights over the property, the court cannot disregard such rights.” (*Director of Land v. Abache, et al.*, 73 Phil. 606)

In the case at bar, the evidence on record discloses that when petitioner purchased the subject property on June 10, 1970, the title thereto (TCT No. T-32683) was in the name of her vendor Rafaela Donato alone. The said TCT No. T-32683 was shown to petitioner which shows on its face the following:

“is registered in accordance with the provisions of the Land Registration Act in the name of –

“RAFAELA DONATO, Filipino, of legal age, widow and with residence and postal address at Centro, Echague, Isabela, Philippines as owner thereof in fee simple, subject to such of the encumbrances mentioned in Section 39 of said Act as may be subsisting, and to Section 4, Rule 74, of the Rules of Court.” (Exh. A, p. 169, Record)

The lien imposed by Section 4, Rule 74, Rules of Court appears as cancelled on April 8, 1969 under the following entry:

“Entry No. 2090 D-340; P-75; B-4; S-1969 R.M. Angubong, Notary Public

- Petition for cancellation of Sec. 4 Rule 74 of the Rules of Court executed by Rafaela D. Vda. de Gaffud. Hence, by virtue of which the lien appearing on the face of this title is now cancelled.

Date of Instrument - March 11, 1969

Date of Inscription - April 2, 1969

Time: 12:30 p.m.

(Sgd.) ANASTACIO J. PASCUA
ANASTACIO J. PASCUA

Deputy Register of Deeds V”

(Underscoring supplied) (p. 15, Rollo)

Petitioner was advised by her lawyers that she could proceed to buy the property because the same was registered in the name of the vendor. Thus, on pp. 13 & 14 of the Transcript of Stenographic Notes of the hearing of December 12, 1986, petitioner testified as follows:

Atty. Mallabo:

Q. Before you bought this property madam witness, were you shown a copy of the title of Rafaela Donato vda. de Gaffud on the property?

A. Yes, sir, she showed me the title. And I saw that the title was in her name.

Q. When the offer was made to you and the title was shown to you, do you remember if you have done anything?

A. Yes, sir, before I bought the property, I showed the documents she bought to me to our lawyer, Custodio Villalva and Concepcion Tagudin.

Q. Why did you show them the title Madam witness?

A. To be sure that the title does not have any encumbrance and because I do not know anything about legal matters.

Q. What did they advise you?

A. Yes, Okey, I can proceed in buying the property, the title was registered in her name, it was her personal property. (pp. 15-16, Rollo)

In the case of *Maguiling v. Umadhay*, (33 SCRA 99, 103) this Court held:

“However, while the Umadhay spouses cannot rely on the title, the same not being in the name of their grantor,

respondent Crisanta S. Gumban stands on a different footing altogether. At the time she purchased the land the title thereto was already in the name of her vendors (T.C.T. 15522). She had the right to rely on what appeared on the face of said title. There is nothing in the record to indicate that she knew of any unregistered claims to or equities in the land pertaining to other persons, such as that of herein petitioner, or of any other circumstances which should put her on guard and cause her to inquire behind the certificate. According to the Court of Appeals she took all the necessary precautions to ascertain the true ownership of the property, having engaged the services of a lawyer for the specific purpose and, it was only after said counsel had assured her that everything was in order did she make the final arrangements to purchase the property. The appellate court's conclusion that respondent Crisanta S. Gumban was a purchaser in good faith and for value is correct, and the title she has thereof acquired is good and indefeasible."

Petitioner paid the sum of P10,000.00 in consideration of the sale which is fair and reasonable considering that in 1967 Fortunato Pascua paid the sum of P390.00 for the portion of the land consisting of 1,704 square meters. (Exhs. 1 and 5)

The court a quo, however, ruled and this was sustained by respondent Court of Appeals that petitioner was not an innocent purchaser.

"The defense of an innocent purchaser for value could be of no help to appellant in the absence of the document on extra-judicial partition indicating that the conjugal property has been adjudicated to Rafaela Donato Vda. de Gaffud and which would be the source of her authority in transferring the subject property to defendant. The sensible thing to do by any prudent person is to examine not only the certificate of title of said property but also all the factual circumstances necessary for him to determine if there are any flaws in vendor's capacity to transfer the land." (p. 10, Rollo)

We do not find any evidence in the record that would sustain such a finding. The extra-judicial partition adverted to in said ruling was executed by the heirs of Juan Gaffud prior to, and as the basis for, the issuance of the Original Certificate of Title No. 4340 in the names of the heirs of Juan Gaffud, as testified to by witness Demetria Gaffud in this wise:

Q. Were you able to read the title that was kept by your brother in law?

A. Yes, sir.

Q. Who was the registered owner?

A. Rafaela Donato, Raymundo Gaffud and Cicero Gaffud, co-owner.

Q. In other words, the title you read appears that the owners were Raymundo, Cicero and Rafaela?

A. Yes, sir.

Q. Do you know what a title is?

A. Yes, it is thick.

Q. You said that the property was bought by Juan Gaffud and Rafaela Gaffud, how come that there is no name Juan Gaffud in the title?

A. Because he was already dead when I got married.

Q. Do you have a knowledge how the title come to have the name of Raymundo, Rafaela and Cicero?

A. Yes, sir. (p. 66, Rollo)

The extra-judicial settlement, upon which was based the lien imposed by Section 4, Rule 74, Rules of Court, was

executed after the death of Juan Gaffud in 1936 but before the issuance of the original title on January 11, 1938 so that the title would be issued in the names of the heirs of Juan Gaffud, namely: Rafaela Donato, Raymundo Gaffud and Cicero Gaffud.

This conclusion is supported (a) by the fact that the subject property was registered only on January 11, 1938, which is around two (2) years after the death of Juan Gaffud in 1936, and therefore the title could not have been issued in the name of Juan Gaffud; (b) by the fact that the lien imposed by Section 4, Rule 74, Rules of Court was inscribed on the face of the title itself and was not entered on the Memorandum of Encumbrances as were done with the mortgages and their releases which were inscribed under their Entry Numbers on the page for Memorandum of Encumbrances and (c) by the fact that the Original Certificate of Title was issued in the names of the heirs of Juan Gaffud.

The extra-judicial settlement, therefore, has no bearing on whether or not there was fraud in the transfer of the subject property to Rafaela Donato.

On the other hand, it was a Deed of Transfer which transferred the subject property from the original owners to Rafaela Donato as stated in Exhibit 3 which is the petition to cancel the conditions imposed by Section 4, Rule 74, Rules of Court, to wit:

“That since the time of the execution of the Deed of Transfer from the original owners to herein petitioner in 1967, and also since the time of the registration of the said transfer at Register of Deeds of Isabela - last March 2, 1967. -- more than two (2) years have already elapsed;

“That from the time of the Deed of Transfer and within the period of two years thereafter, NO CLAIM WHATSOEVER has been filed against the herein petitioner with respect to the property thus sold to her.” (p. 67, Rollo)

Even granting that the extrajudicial settlement was the document which transferred the subject property from the original owners to Rafaela Donato the non-production thereof (private respondents should have presented it, not petitioner) does not prove that there was fraud committed in its execution and neither does it prove that petitioner was a party thereto. There was no allegation, and much less any evidence, that the transfer of the subject property from the original owners to Rafaela Donato was fraudulent.

What private respondents allege as fraudulent was the extrajudicial settlement of the estate of Juan Gaffud. But it has been shown that this settlement was not the basis of the transfer of the subject property to Rafaela Donato, petitioner's vendor.

That petitioner is an innocent purchaser for value is within the scope of established jurisprudence.

“The decision of the lower court would set at naught the settled doctrine that the holder of a certificate of title who acquired the property covered by the title in good faith and for value can rest assured that his title is perfect and incontrovertible.” (Benin v. Tuason, 57 SCRA 531, 581)

x x x x x

“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 (Ariola v. Gomez dela Serna, 14 Phil. 627). Good faith, while it is always presumed in the absence of proof to the contrary, requires a well-founded belief that the person from whom title was received by himself the owner of the land, with the right to convey it (Santiago v. Cruz, 19 Phil. 148). There is good faith where there is an honest intention to abstain from taking any unconscientious advantage from another (Fule v. 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 (petitioner in this case), in good faith relied on the certificate of title in the name of Fe S. Duran (Rafaela Donato in this case) and x x x 'even on the supposition that the sale was void, the general rules 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.'" (Duran v. Intermediate Appellate Court, 138 SCRA 489, 494).

x x x x x

"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. x x x" (Duran v. Intermediate Appellate Court, 138 SCRA 489, 494-495). (pp. 68-70, Rollo)

In the case of Centeno v. Court of Appeals (139 SCRA 545, 555) the same rule was observed by this Court when it ruled -

"x x x Well settled is the rule that all persons dealing with property covered by torrens certificate of title are not required to go beyond what appears on the face of the title. When there is nothing on 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 further 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. (William Anderson v. Garcia, 64 Phil., 506; Fule v. Legare, 7 SCRA 351)." (p. 71, Rollo)

Petitioner being an innocent purchaser for value, private respondents will have no cause of action against her. "The issue alone that petitioner is a purchaser in good faith and for value sufficiently constitutes a bar to the complaint of private respondents x x x." (Medina v. Chanco, 117 SCRA 201, 205).

If an action for reconveyance based on constructive trust cannot reach an innocent purchaser for value, the remedy of the defrauded party is to bring an action for damages against those who caused the fraud or were instrumental in depriving him of the property. And it is now well-settled that such action prescribes in ten years from the issuance of the Torrens Title over the property. (Armerol v. Bagumbaran, 154 SCRA 396, 407; Caro v. Court of Appeals, 180 SCRA 401, 407; Walstron v. Mapa, Jr., 181 SCRA 431, 442).

Transfer Certificate of Title No. T-32683 was issued in the name of Rafaela Donato on March 2, 1967. The present action for reconveyance was filed only on March 9, 1982. Clearly then, the action has already prescribed because it was filed fifteen (15) years after the issuance of TCT No. T-32683. Even if the period were to be reckoned from the registration of the deed of absolute sale in favor of petitioner on July 13, 1970, which is also the date of the issuance of Transfer Certificate of Title No. T-49380 in the name of petitioner, the action of private respondents had already prescribed because a period of eleven (11) years, seven (7) months and twenty-six (26) days has elapsed from July 13, 1970 to March 9, 1982.

WHEREFORE, the petition is GRANTED; the assailed decision of the Court of Appeals is REVERSED and SET ASIDE and another one rendered dismissing Civil Case No. Br. V-756, of the Regional Trial Court, Branch 24,

Echague, Isabela.

SO ORDERED.

Melencio-Herrera, (Chairman), Padilla, and Regalado, JJ., concur.
Sarmiento, J., on leave.

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