

MARIQUITA O. SUMAYA AND LAGUNA AGRO-INDUSTRIAL COCONUT COOPERATIVE, INC., PETITIONERS, VS. THE HON. INTERMEDIATE APPELLATE COURT, AND AMADEO, SANCHE, DONATO, LUIS, ERASTO, LUISA...

G.R. Nos. 68843-44. September 02, 1991

Ponente: MEDIALDEA, J.

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MEDIALDEA, J.:

This is a petition for review on certiorari of the decision of the Intermediate Appellate Court (now Court of Appeals) in C.A. G.R. No. CV-01292-93, which affirmed the decision of the Court of First Instance (now Regional Trial Court) of Laguna in the consolidated cases in Civil Case No. SC-956[1] and Civil Case No. SC-957.[2]

The parties entered into a stipulation of facts in the court a quo, which is summarized as follows:

Raul Balantakbo inherited from two (2) different ascendants the two (2) sets of properties subject of this case: 1) A one-third (1/3) interest, pro-indiviso in a parcel of land situated in Dita, Lilio (Liliw) Laguna and described in paragraph 7 of the complaint in Civil Case No. SC-956 from his father Jose, Sr., who died on January 28, 1945; and 2) A one-seventh (1/7) interest pro-indiviso in ten (10) parcels of registered lands described in paragraph 6 of the complaint in Civil Case No. SC-957 from his maternal grandmother, Luisa Bautista, who died on November 3, 1950.

On June 13, 1952, Raul died intestate, single, without any issue, and leaving only his mother, Consuelo Joaquin Vda. de Balantakbo, as his sole surviving heir to the real properties above-mentioned.

On November 3, 1952, Consuelo adjudicated unto herself the above described properties in an Affidavit entitled "Caudal Herederario del finado Raul Balantakbo" which provided, among others:

"I. Que de mi legitimo matrimonio con mi difunto esposo, Jose Balantakbo, he tenido varios hijos, entre ellos si difunto hijo, llamado Raul Balantakbo.

"II. Que mi referido hijo Raul Balantakbo, fallencio el 13 de Junio de 1952, en la Ciudad de Pasay, durante su minoria de edad sin dejar testamento alguno."

"III. Que el finado Raul Balantakbo al morir no ha dejado descendiente alguno.

"IV. Que soy la unica ascendiente superviviente de mi referido hijo Raul Balantakbo y por lo tanto su unica heredera formosa, legitima y universal.

"V. Que el finado Raul Balantakbo murio sin dejar deuda alguna.

"VI. Que el finado al morir dejo propiedades consistentes en bienes inmuebles situados en la Provincia de Laguna.

"VII. Que dichas propiedades fueron a su vez adquiridas por el finado Raul Balantakbo per herencia de su difunto padre, Jose Balantakbo, y de su tia abuela Luisa Bautista.

"x x x." (Rollo, p. 29)

On December 21, 1959, Consuelo Joaquin vda de. Balantakbo sold the property described in Civil Case No. SC-956 to Mariquita H. Sumaya. The sale was evidenced by a deed attached as Annex "C" to the complaint. The same property was subsequently sold by Mariquita Sumaya to Villa Honorio Development Corporation, Inc., on December 30, 1963. On January 23, 1967, Villa Honorio Development Corporation transferred and assigned its rights over the property in favor of Agro-Industrial Coconut Cooperative, Inc. The documents evidencing these transfers were registered in the Registry of Deeds of Laguna and the corresponding certificates of titles were issued. The properties are presently in the name of Agro-Industrial Coconut Cooperative, Inc., 2/3 share and the remaining 1/3 share is in the name of Sancho Balantakbo.

Also on December 30, 1963, Consuelo Joaquin vda. de Balantakbo sold the properties described in the complaint in Civil Case No. SC-957 to Villa Honorio Development Corporation, Inc. The latter in turn transferred and assigned all its rights to the properties in favor of Laguna Agro-Industrial Coconut Cooperative, Inc. which properties are presently in its possession.

The parties admit that the certificates of titles covering the above described properties do not contain any annotation of its reservable character.

On June 3, 1968, Consuelo Joaquin vda. de Balantakbo died.

On March 4, 1970, Amadeo, Sancho, Donato, Luis, and Erasto, all surnamed Balantakbo, brothers in full blood of Raul Balantakbo and Luisa, Jose and Dolores, also all surnamed Balantakbo, surviving children of deceased Jose Balantakbo, Jr., another brother of the first named Balantakbos, filed the above mentioned civil cases to recover the properties described in the respective complaints which they claimed were subject to a reserva troncal in their favor.

The court a quo found that the two (2) cases varied only in the identity of the subject matter or res involved, the transferees, the dates of the conveyances but involve the same legal question of reserva troncal. Hence, the consolidation of the two (2) cases.

After trial, the court a quo rendered a joint decision in favor of the Balantakbos, the dispositive portion of which reads:

"WHEREFORE, in both Civil Cases Nos. SC-956 and SC-957, judgment is hereby rendered in favor of the plaintiffs and against the defendants, as follows:

"1. Ordering the defendant Laguna Agro-Industrial Coconut Cooperative, Inc. to convey to the plaintiffs —

"a.) In Civil Case No. SC-956 — the one-third (1/3) interest and ownership, pro-indiviso, in and over the parcel of land described in paragraph three (3) subparagraph 1, of pages one (1) and two (2) of this decision;

"b.) In Civil Case No. SC-957 — the one-seventh (1/7) interest and ownership, pro-indiviso, in and over the ten (10) parcels of land described in paragraph three (3), subparagraph 2, of pages two (2) and three (3) of this decision;

"c.) The plaintiffs are to share equally in the real properties herein ordered to be conveyed to them by the defendants with plaintiffs Luisa, Jose and Dolores, all surnamed Balantakbo, receiving one-third (1/3) of the one share pertaining to the other plaintiffs who are their uncles;

"2. Ordering the Laguna Agro-Industrial Coconut Cooperative, Inc. to account for and pay to the plaintiffs the

value of the produce from the properties herein ordered to be returned to the plaintiffs, said accounting and payment of income being for the period from January 3, 1968 until date of reconveyance of the properties herein ordered;

"3. In each of Civil Cases Nos. SC-956 and SC-957, defendants are to pay plaintiffs —

"a. One Thousand (P1,000.00) Pesos in litigation expenses

"b. Two Thousand (P2,000.00) Pesos in attorney's fees.

"4. Defendants are to pay the costs in each of Civil Cases Nos. SC-956 and 957.

"x x x" (p. 46, Rollo)

This decision was appealed to the appellate court which affirmed the decision of the court a quo in toto. The motion for reconsideration was denied (p. 65, Rollo) by the appellate court which found no cogent reason to reverse the decision.

This petition before Us was filed on November 12, 1984 with the petitioners assigning the following errors allegedly committed by the appellate court:

I. The trial court erred in not finding defendants an (sic) innocent purchaser for value and in good faith of the properties covered by certificates of title subject of litigation.

II. The trial court erred in finding it unnecessary to annotate the reservable interest of the reservee in the properties covered by certificates of title subject of litigation.

III. The trial court erred in finding that the cause of action of the plaintiffs (private respondents) has not yet prescribed.

IV. The trial court erred in awarding moral and actual damages in favor of the plaintiffs by virtue of the institution of Civil Cases Nos. 956 and 957.

Petitioners would want this Court to reverse the findings of the court a quo, which the appellate court affirmed, that they were not innocent purchasers for value. According to petitioners, before they agreed to buy the properties from the reservor (also called reservista), Consuelo Joaquin vda. de Balantakbo, they first sought the legal advice of their family consultant who found that there was no encumbrance nor any lien annotated on the certificate of title covering the properties.

The court a quo found otherwise. Upon the death of the propositus, Raul Balantakbo, the reservista, Consuelo vda. de Balantakbo caused the registration of an affidavit of self-adjudication of the estate of Raul, wherein it was clearly stated that the properties were inherited by Raul from his father Jose, Sr., as regards the subject matter of Civil Case No. SC-956 and from his maternal grandmother, Luisa Bautista, as regards the subject matter of Civil Case No. SC-957. The court a quo further ruled that said affidavit was, in its form, declaration and substance, a recording with the Registry of Deeds of the reservable character of the properties. In Spanish language, the affidavit clearly stated that the affiant, Consuelo, was a lone ascendant and heir to Raul Balantakbo, her son, who died leaving properties previously inherited from other ascendants and which properties were inventoried in the said affidavit.

It was admitted that the certificates of titles covering the properties in question show that they were free from any liens and encumbrances at the time of the sale. The fact remains however, that the affidavit of self-adjudication executed by Consuelo stating the source of the properties thereby showing the reservable nature thereof was registered with the Register of Deeds of Laguna, and this is sufficient notice to the whole world in accordance

with Section 52 of the Property Registration Decree (formerly Sec. 51 of R.A. 496) which provides:

"SEC. 52. CONSTRUCTIVE NOTICE UPON REGISTRATION. — Every conveyance, mortgage, lease, lien attachment, order, judgment, instrument or entry affecting registered land shall, if registered, filed or entered in the Office of the Register of Deeds for the province or city where the land to which it relates lies, be constructive notice to all persons from the time of such registering, filing or entering."

Thus, in *Gatioan v. Gaffud*, G.R. No. L-21953, March 28, 1969, 27 SCRA 706, 712-713, cited in *People v. Reyes*, G.R. Nos. 74226-27, July 27, 1989, 175 SCRA 597; *Garcia v. CA* and *PNB v. CA*, et al., G.R. Nos. L-48971 and L-49011, both dated January 22, 1980, 95 SCRA 380 and *Legarda and Prieto v. Saleeby*, 31 Phil. 590, 600, We held:

"When a conveyance has been properly recorded such record is constructive notice of its contents and all interests, legal and equitable, included therein. . .

"Under the rule of notice, it is presumed that the purchaser has examined every instrument of record affecting the title. Such presumption is irrebuttable. He is charged with notice of every fact shown by the record and is presumed to know every fact which an examination of the record would have disclosed. This presumption cannot be overcome by proof of innocence or good faith. Otherwise, the very purpose and object of the law requiring a record would be destroyed. Such presumption cannot be defeated by proof of want of knowledge of what the record contains any more than one may be permitted to show that he was ignorant of the provisions of the law. The rule that all persons must take notice of the facts which the public record contains is a rule of law. The rule must be absolute, any variation would lead to endless confusion and useless litigation. x x x"

In the case of *Bass v. De la Rama*, 73 Phil. 682, 685, the rule was laid down that the mere entry of a document in the day book without noting it on the certificate of title is not sufficient registration. However, that ruling was superseded by the holding in the later six cases of *Levin v. Bass*, 91 Phil. 420. As explained in *Garcia v. C. A.*, et al., G.R. Nos. L-48971 and 49011, January 20, 1980, 95 SCRA 380, 388, which is the prevailing doctrine in this jurisdiction.

"That ruling was superseded by the holding in the later six cases of *Levin v. Bass*, 91 Phil. 420, where a distinction was made between voluntary and involuntary registration, such as the registration of an attachment, levy upon execution, notice of lis pendens, and the like. In cases of involuntary registration, an entry thereof in the day book is a sufficient notice to all persons even if the owner's duplicate certificate of title is not presented to the register of deeds.

"On the other hand, according to the said cases of *Levin v. Bass*, in case of voluntary registration of documents an innocent purchaser for value of registered land becomes the registered owner, and, in contemplation of law the holder of a certificate of title, the moment he presents and files a duly notarized and valid deed of sale and the same is entered in the day book and at the same time he surrenders or presents the owner's duplicate certificate of title covering the land sold and pays the registration fees, because what remains to be done lies not within his power to perform. The register of deeds is duty bound to perform it." (See *Potenciano v. Dineros*, 97 Phil. 196).

In this case, the affidavit of self-adjudication executed by Consuelo vda. de Balantakbo which contained a statement that the property was inherited from a descendant, Raul, which was likewise inherited by the latter from another ascendant, was registered with the Registry of Property. The failure of the Register of Deeds to annotate the reservable character of the property in the certificate of title cannot be attributed to Consuelo.

Moreover, there is sufficient proof that the petitioners had actual knowledge of the reservable character of the properties before they bought the same from Consuelo. This matter appealed the deed of sale (Exhibit "C") executed by Consuelo in favor of Mariquita Sumaya, the first vendee of the property litigated in Civil Case No.

SC-956, as follows:

"x x x x x x x x"

"That, I (Consuelo, vendor) am the absolute and exclusive owner of the one-third (1/3) portion of the above described parcel of land by virtue of the Deed of Extra-Judicial Partition executed by the Heirs of the deceased Jose Balantakbo dated December 10, 1945 and said portion in accordance with the partition above-mentioned was adjudicated to Raul Balantakbo, single, to (sic) whom I inherited after his death and this property is entirely free from any encumbrance of any nature or kind whatsoever, x x x." (p. 42, Rollo)

It was admitted though that as regards the properties litigated in Civil Case SC-957, no such admission was made by Consuelo to put Villa Honorio Development on notice of the reservable character of the properties. The affidavit of self-adjudication executed by Consuelo and registered with the Registry would still be sufficient notice to bind them.

Moreover, the court a quo found that the petitioners and private respondents were long time acquaintances; that the Villa Honorio Development Corporation and its successors, the Laguna Agro-Industrial Coconut Cooperative Inc., are family corporations of the Sumayas and that the petitioners knew all along that the properties litigated in this case were inherited by Raul Balantakbo from his father and from his maternal grandmother, and that Consuelo Vda. de Balantakbo inherited these properties from his son Raul.

The obligation to reserve rests upon the reservor, Consuelo Joaquin vda. de Balantakbo. Article 891 of the New Civil Code on reserva troncal provides:

"Art. 891. The ascendant who inherits from his descendant any property which the latter may have acquired by gratuitous title from another ascendant or a brother or sister, is obliged to reserve such property as he may have acquired by operation of law for the benefit of relatives who are within the third degree and who belong to the line from which said property came." (italics supplied)

We do not agree, however, with the disposition of the appellate court that there is no need to register the reservable character of the property, if only for the protection of the reservees, against innocent third persons. This was suggested as early as the case of *Director of Lands v. Aguas*, G.R. No. 42737, August 11, 1936, 63 Phil. 279. The main issue submitted for resolution therein was whether the reservation established by Article 811 (now Art. 891 of the New Civil Code) of the Civil Code, for the benefit of the relatives within the third degree belonging to the line of the descendant from whom the ascendant reservor received the property, should be understood as made in favor of all the relatives within said degree and belonging to the line above-mentioned, without distinction legitimate, natural and illegitimate ones not having the legal status of natural children. However, in an obiter dictum this Court stated therein:

"The reservable character of a property is but a resolutory condition of the ascendant reservor's right of ownership. If the condition is fulfilled, that is, if upon the ascendant reservor's death there are relatives having the status provided in Article 811 (Art. 891, New Civil Code), the property passes, in accordance with this special order of succession, to said relatives, or to the nearest of kin among them, which question not being pertinent to this case, need not now be determined. But if this condition is not fulfilled, the property is released and will be adjudicated in accordance with the regular order of succession. The fulfillment or non-fulfillment of the resolutory condition, the efficacy or cessation of the reservation, the acquisition of rights or loss of the vested ones, are phenomena which have nothing to do with whether the reservation has been noted or not in the certificate of title to the property. The purpose of the notation is nothing more than to afford to the persons entitled to the reservation, if any, due protection against any act of the reservor, which may make it ineffective. x x x." (p. 292, *ibid*)

Likewise, in *Dizon and Dizon v. Galang*, G.R. No. 21344, January 14, 1926, 48 Phil. 601, 603, this Court ruled

that the reservable character of a property may be lost to innocent purchasers for value. Additionally, it was ruled therein that the obligation imposed on a widowed spouse to annotate the reservable character of a property subject of *reserva viudal* is applicable to *reserva troncal*. (See also *Edrozo v. Sablan*, G.R. No. 6878, September 13, 1913, 25 Phil. 295).

"Since these parcels of land have been legally transferred to third persons, Vicente Galang has lost ownership thereof and cannot now register nor record in the Registry of Deeds their reservable character; neither can he effect the fee simple, which does not belong to him, to the damage of Juan Medina and Teodoro Jurado, who acquired the said land in good faith, free of all incumbrances. An attempt was made to prove that when Juan Medina was advised not to buy the land he remarked, 'Why, did he (Vicente Galang) not inherit it from his son?' Aside from the fact that it is not clear whether this conservation took place in 1913 or 1914, that is, before or after the sale, it does not signify that he had any knowledge of the reservation. This did not arise from the fact alone that Vicente Galang had inherited the land from his son, but also from the fact that, by operation of law, the son had inherited it from his mother Rufina Dizon, which circumstance, so far as the record shows, Juan Medina had not been aware of. We do not decide, however, whether or not Juan Medina and Teodoro Jurado are obliged to acknowledge the reservation and to note the same in their deeds, for the reason that there was no prayer to this effect in the complaint and no question raised in regard thereto."

Consistent with the rule in *reserva viudal* where the person obliged to reserve (the widowed spouse) had the obligation to annotate in the Registry of Property the reservable character of the property, in *reserva troncal*, the reservor (the ascendant who inherited from a descendant property which the latter inherited from another ascendant) has the duty to reserve and therefore, the duty to annotate also.

The jurisprudential rule requiring annotation in the Registry of Property of the right reserved in real property subject of *reserva viudal* insofar as it is applied to *reserva troncal* stays despite the abolition of *reserva viudal* in the New Civil Code. This rule is consistent with the rule provided in the second paragraph of Section 51 of P.D. 1529, which provides that: "The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned x x x." (italics supplied)

The properties involved in this case are already covered by a Torrens title and unless the registration of the limitation is effected (either actual or constructive), no third persons shall be prejudiced thereby.

The respondent appellate court did not err in finding that the cause of action of the private respondents did not prescribe yet. The cause of action of the reservees did not commence upon the death of the propositus Raul Balantakbo on June 13, 1952 but upon the death of the reservor Consuelo Vda. de Balantakbo on June 3, 1968. Relatives within the third degree in whose favor the right (or property) is reserved have no title of ownership or of fee simple over the reserved property during the lifetime of the reservor. Only when the reservor should die before the reservees will the latter acquire the reserved property, thus creating a fee simple, and only then will they take their place in the succession of the descendant of whom they are relatives within the third degree (See *Velayo Bernardo v. Siojo*, G.R. No. 36078, March 11, 1933, 58 Phil. 89). The *reserva* is extinguished upon the death of the reservor, as it then becomes a right of full ownership on the part of the reservatarios, who can bring a reivindicatory suit therefor. Nonetheless, this right if not exercised within the time for recovery may prescribe in ten (10) years under the old Code of Civil Procedure (see *Carillo v. De Paz*, G.R. No. L-22601, October 28, 1966, 18 SCRA 467, 473) or in thirty years under Article 1141 of the New Civil Code. The actions for recovery of the reserved property was brought by herein private respondents on March 4, 1970 or less than two (2) years from the death of the reservor. Therefore, private respondents' cause of action has not prescribed yet.

Finally, the award of one thousand pesos (P1,000.00) for actual litigation expenses and two thousand pesos (P2,000.00) for attorney's fees is proper under Article 2208(2) of the New Civil Code. Private respondents were

compelled to go to court to recover what rightfully belongs to them.

ACCORDINGLY, the petition is DENIED. The questioned decision of the Intermediate Appellate Court is AFFIRMED, except for the modification on the necessity to annotate the reservable character of a property subject of reserva troncal.

SO ORDERED.

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

[1] Entitled Amado, Sancho, Donato, Luis, Erasto, Luisa, Jose and Dolores, all surnamed Balantakbo, Plaintiffs versus Mariquita O. Sumaya, Villa Honorio Development Corporation and Laguna Agro-Industrial Coconut Cooperative, Inc., Defendants.

[2] Entitled Amado, Sancho, Donato, Luis, Erasto, Luisa, Jose and Dolores, all surnamed Balantakbo, Plaintiffs, versus Villa Honorio Development Corporation and Laguna Industrial Coconut Cooperative Inc., Defendants.

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