

SECOND DIVISION

[G.R. No. 170023, November 27, 2009]

**KINGS PROPERTIES CORPORATION, PETITIONER, VS. CANUTO
A. GALIDO, RESPONDENT.**

DECISION

CARPIO, J.:

The Case

Kings Properties Corporation (petitioner) filed this Petition for Review on Certiorari^[1] assailing the Court of Appeals' Decision^[2] dated 20 December 2004 in CA-G.R. CV No. 68828 as well as the Resolution^[3] dated 10 October 2005 denying the Motion for Reconsideration. In the assailed decision, the Court of Appeals reversed the Regional Trial Court's Decision^[4] dated 4 July 2000. This case involves an action for cancellation of certificates of title, registration of deed of sale and issuance of certificates of title filed by Canuto A. Galido (respondent) before Branch 71 of the Regional Trial Court of Antipolo City (trial court).

The Facts

On 18 April 1966, the heirs of Domingo Eniceo, namely Rufina Eniceo and Maria Eniceo, were awarded with Homestead Patent No. 112947 consisting of four parcels of land located in San Isidro, Antipolo, Rizal (Antipolo property) and particularly described as follows:

1. Lot No. 1 containing an area of 96,297 square meters;
- Lot No. 3 containing an area of 25,170 square meters;
- Lot No. 4 containing an area of 26,812 square meters; and
- Lot No. 5 containing an area of 603 square meters.

The Antipolo property with a total area of 14.8882 hectares was registered under Original Certificate of Title (OCT) No. 535.^[5] The issuance of the homestead patent was subject to the following conditions:

To have and to hold the said tract of land, with the appurtenances thereunto of right belonging unto the said Heirs of Domingo Eniceo and to his heir or heirs and assigns forever, subject to the provisions of sections 118, 121, 122 and 124 of Commonwealth Act No. 141, as amended, which provide that except in favor of the Government or any of its branches, units or institutions, the land hereby acquired shall be inalienable and shall not be subject to incumbrance for a period of five (5) years next following the date of this patent, and shall not be liable for the satisfaction of any debt contracted prior to the expiration of that period; that it shall not be alienated, transferred or conveyed after five

(5) years and before twenty-five (25) years next following the issuance of title, without the approval of the Secretary of Agriculture and Natural Resources; that it shall not be incumbered, alienated, or transferred to any person, corporation, association, or partnership not qualified to acquire public lands under the said Act and its amendments; x x x [6]

On 10 September 1973, a deed of sale covering the Antipolo property was executed between Rufina Eniceo and Maria Eniceo as vendors and respondent as vendee. Rufina Eniceo and Maria Eniceo sold the Antipolo property to respondent for P250,000.[7] A certain Carmen Aldana delivered the owner's duplicate copy of OCT No. 535 to respondent.[8]

Petitioner alleges that when Maria Eniceo died in June 1975, Rufina Eniceo and the heirs of Maria Eniceo (Eniceo heirs),[9] who continued to occupy the Antipolo property as owners, thought that the owner's duplicate copy of OCT No. 535 was lost.[10]

On 5 April 1988, the Eniceo heirs registered with the Registry of Deeds of Marikina City (Registry of Deeds) a Notice of Loss dated 2 April 1988 of the owner's copy of OCT No. 535. The Eniceo heirs also filed a petition for the issuance of a new owner's duplicate copy of OCT No. 535 with Branch 72 of the Regional Trial Court (RTC) of Antipolo, Rizal. The case was docketed as LRC Case No. 584-A.[11]

On 31 January 1989, the RTC rendered a decision finding that the certified true copy of OCT No. 535 contained no annotation in favor of any person, corporation or entity. The RTC ordered the Registry of Deeds to issue a second owner's copy of OCT No. 535 in favor of the Eniceo heirs and declared the original owner's copy of OCT NO. 535 cancelled and considered of no further value.[12]

On 6 April 1989, the Registry of Deeds issued a second owner's copy of OCT No. 535 in favor of the Eniceo heirs.[13]

Petitioner states that as early as 1991, respondent knew of the RTC decision in LRC Case No. 584-A because respondent filed a criminal case against Rufina Eniceo and Leonila Bolinas (Bolinas) for giving false testimony upon a material fact during the trial of LRC Case No. 584-A.[14]

Petitioner alleges that sometime in February 1995, Bolinas came to the office of Alberto Tronio Jr. (Tronio), petitioner's general manager, and offered to sell the Antipolo property. During an on-site inspection, Tronio saw a house and ascertained that the occupants were Bolinas' relatives. Tronio also went to the Registry of Deeds to verify the records on file. Tronio ascertained that OCT No. 535 was clean and had no lien and encumbrances. After the necessary verification, petitioner decided to buy the Antipolo property.[15]

On 14 March 1995, respondent caused the annotation of his adverse claim in OCT No. 535.[16]

On 20 March 1995, the Eniceo heirs executed a deed of absolute sale in favor of petitioner covering lots 3 and 4 of the Antipolo property for P500,000.[17]

On the same date, Transfer Certificate of Title (TCT) Nos. 277747 and 277120 were issued. TCT No. 277747 covering lots 1 and 5 of the Antipolo property was registered in the names of Rufina Eniceo, Ambrosio Eniceo, Rodolfo Calove, Fernando Calove and Leonila Calove Bolinas.^[18] TCT No. 277120 covering lots 3 and 4 of the Antipolo property was registered in the name of petitioner.^[19]

On 5 April 1995, the Eniceo heirs executed another deed of sale in favor of petitioner covering lots 1 and 5 of the Antipolo property for P1,000,000. TCT No. 278588 was issued in the name of petitioner and TCT No. 277120 was cancelled.^[20]

On 17 August 1995, the Secretary of the Department of Environment and Natural Resources (DENR Secretary) approved the deed of sale between the Eniceo heirs and respondent.^[21]

On 16 January 1996, respondent filed a civil complaint with the trial court against the Eniceo heirs and petitioner. Respondent prayed for the cancellation of the certificates of title issued in favor of petitioner, and the registration of the deed of sale and issuance of a new transfer certificate of title in favor of respondent.^[22]

On 4 July 2000, the trial court rendered its decision dismissing the case for lack of legal and factual basis.^[23]

Respondent appealed to the Court of Appeals (CA). On 20 December 2004, the CA rendered a decision reversing the trial court's decision.^[24] Respondent filed a motion for reconsideration, which the CA denied in its Resolution dated 10 October 2005.

Aggrieved by the CA's decision and resolution, petitioner elevated the case before this Court.

The Ruling of the Trial Court

The trial court stated that although respondent claims that the Eniceo heirs sold to him the Antipolo property, respondent did not testify in court as to the existence, validity and genuineness of the purported deed of sale and his possession of the duplicate owner's copy of OCT No. 535. The trial court stated that as owner of a property consisting of hectares of land, respondent should have come to court to substantiate his claim and show that the allegations of the Eniceo heirs and petitioner are mere fabrications.^[25]

The trial court noticed that respondent did not register the deed of sale with the Register of Deeds immediately after its alleged execution on 10 September 1973. Further, respondent waited for 22 long years before he had the sale approved by the DENR Secretary. The trial court declared that respondent slept on his rights. The trial court concluded that respondent's failure to register the sale and secure the cancellation of OCT No. 535 militates against his claim of ownership. The trial court believed that respondent has not established the preponderance of evidence necessary to justify the relief prayed for in his complaint.^[26]

The trial court stated that Bolinas was able to prove that the Eniceo heirs have remained in actual possession of the land. The filing of a petition for the issuance of a new owner's duplicate copy requires the posting of the petition in three different places which serves as a notice to the whole world. Respondent's failure to oppose this petition can be deemed as a waiver of his right, which is fatal to his cause.^[27]

The trial court noted that petitioner is a buyer in good faith and for value because petitioner has exercised due diligence in inspecting the property and verifying the title with the Register of Deeds.^[28]

The trial court held that even if the court were to believe that the deed of sale in favor of respondent were genuine, still it could not be considered a legitimate disposition of property, but merely an equitable mortgage. The trial court stated that respondent never obtained possession of the Antipolo property at any given time and a buyer who does not take possession of a property sold to him is presumed to be a mortgagee only and not a vendee.^[29]

The Ruling of the Court of Appeals

The CA ruled that the deed of sale in favor of respondent, being a notarized document, has in its favor the presumption of regularity and carries the evidentiary weight conferred upon it with respect to its due execution. The CA added that whoever asserts forgery has the burden of proving it by clear, positive and convincing evidence because forgery can never be presumed. The CA found that petitioner and the Eniceo heirs have not substantiated the allegation of forgery.^[30]

The CA pointed out that laches has not set in. One of the requisites of laches, which is injury or prejudice to the defendant in the event relief is accorded to the complainant or the suit is not held to be barred, is wanting in the instant case. The CA added that unrecorded sales of land brought under the Torrens system are valid between parties because registration of the instrument is merely intended to bind third persons.^[31]

The CA declared that petitioner's contention regarding the validity of the questioned deed on the ground that it was executed without the approval of the DENR Secretary is untenable. The DENR Secretary approved the deed of sale on 17 August 1995. However, even supposing that the sale was not approved, the requirement for the DENR Secretary's approval is merely directory and its absence does not invalidate any alienation, transfer or conveyance of the homestead after 5 years and before 25 years from the issuance of the title which can be complied with at any time in the future.^[32]

The CA ruled that petitioner is a buyer in bad faith because it purchased the disputed properties from the Eniceo heirs after respondent had caused the inscription on OCT No. 535 of an adverse claim. Registration of the adverse claim serves as a constructive notice to the whole world. Petitioner cannot feign ignorance of facts which should have put it on guard and then claim that it acted under the honest belief that there was no defect in the title of the vendors. Knowing that an adverse claim was annotated in the certificates of title of the Eniceo heirs, petitioner was forewarned that someone is claiming an interest in the disputed properties.^[33]

The CA found no merit in petitioner's contention that the questioned deed of sale is an equitable mortgage. The CA stated that for the presumption of an equitable mortgage to arise, one must first satisfy the requirement that the parties entered into a contract denominated as a contract of sale and that their intention was to secure an existing debt by way of mortgage.^[34]

The CA stated that the execution of the notarized deed of sale, even without actual delivery of the disputed properties, transferred ownership from the Eniceo heirs to respondent. The CA held that respondent's possession of the owner's duplicate copy of OCT No. 535 bolsters the contention that the Eniceo heirs sold the disputed properties to him by virtue of the questioned deed.^[35]

The CA reversed the trial court's decision. The dispositive portion of the CA decision reads:

WHEREFORE, the appealed decision of the Regional Trial Court of Rizal (Antipolo, Branch 71) is REVERSED and SET ASIDE and another rendered as follows:

1. Declaring null and void Transfer Certificates of Titles Nos. 277747, 277120 and 278588 of the Registry of Deeds of Marikina City (the last two in the name of defendant-appellee Kings Properties Corporation), the derivative titles thereof and the instruments which were the bases of the issuance of said certificates of title; and
2. Declaring plaintiff-appellant Canuto A. Galido the owner of fee simple of Lot Nos. 1, 3, 4, 5 formerly registered under Original Certificate of Title No. 535 in the name of the Heirs of Domingo Eniceo, represented by Rufina Eniceo, and ordering the Register of Deeds of Marikina City to issue new transfer certificates of title for said parcels of land in the name of plaintiff-appellant Canuto A. Galido, upon payment of the proper fees and presentation of the deed of sale dated September 10, 1973 executed by Rufina Eniceo and Maria Eniceo, as sole heirs of the late Domingo Eniceo, in favor of the latter.^[36]

The Issues

Petitioner raises two issues in this petition:

1. Whether the adverse claim of respondent over the Antipolo property should be barred by laches;^[37] and
2. Whether the deed of sale delivered to respondent should be presumed an equitable mortgage pursuant to Article 1602(2) and 1604 of the Civil Code.^[38]

The Ruling of the Court

Validity of the deed of sale to respondent

The contract between the Eniceo heirs and respondent executed on 10 September 1973 was a perfected contract of sale. A contract is perfected once there is consent