

THIRD DIVISION

[G.R. No. 161925, November 25, 2009]

**SPOUSES EXEQUIEL LOPEZ AND EUSEBIA LOPEZ, PETITIONERS,
VS. SPOUSES EDUARDO LOPEZ AND MARCELINA R. LOPEZ,
RESPONDENTS.**

D E C I S I O N

NACHURA, J.:

This is a petition for review on *certiorari* of the Court of Appeals (CA) Decision^[1] dated January 26, 2004, which ordered the cancellation of Transfer Certificate of Title (TCT) No. T-5066 in the name of petitioners.

Respondents, spouses Eduardo and Marcelina Lopez, are the owners and occupants of an 80-square-meter residential lot situated in San Pascual, Hagonoy, Bulacan. They acquired the property by donation *inter vivos* from Maria Alvarado and Agatona Caparas, in whose names the lot was previously declared for taxation purposes. Respondents have occupied the lot since 1977.^[2]

In November 1992, respondents discovered that Victor Villadares was granted a free patent over an 885-sq-m land, which included respondents' lot, and was subsequently issued Original Certificate of Title (OCT) No. RP-253 (P-8511) on March 8, 1978. Thereafter, Villadares subdivided the entire parcel of land into 3 lots, namely: Lot 9954-A, Lot 9954-B and Lot 9954-C. As shown in the Deed of Absolute Sale of Portions of a Parcel of Land, Villadares sold Lot 9954-B with an area of 273 sq m to petitioners, spouses Eusebia and Exequiel Lopez, and Lot 9954-C with an area of 337 square meters to Filomena Caparas. Consequently, OCT No. RP-253 (P-8511) was cancelled and TCT Nos. T-5065, T-5066 and T-5067 were issued to Villadares, to petitioners, and to Caparas, respectively.

Respondents filed an action for reconveyance, declaration of nullity of a deed of absolute sale, cancellation of titles, and damages against Villadares and petitioners. The action was filed only against the two parties because respondents' property is situated between their properties, Lots 9954-A and 9954-B.

In their Answer, petitioners averred that respondents had no personality to institute the action, that the free patent in favor of Villadares was issued pursuant to law, that they were innocent purchasers for value, and that their certificate of title was already incontrovertible.^[3]

During trial, Pedro Manansala, a witness for respondents, testified that petitioners' lot consisted of 168 sq m only, which they bought from him for P20,000.00 sometime after Martial Law.^[4]

Petitioner Eusebia Lopez refuted this by stating that she bought a 273-sq-m lot from

Pedro Manansala.^[5] She admitted that she filed a protest against Villadares' application for registration but claimed that Villadares later agreed to sell the property to her for P30,000.00.^[6] Villadares corroborated her testimony, saying that when petitioners showed him proof that they owned a portion of the lot registered in his name, he agreed to transfer the title of the said portion to their names.^[7]

The Regional Trial Court ruled in favor of respondents. According to the trial court, the declaration of the subject property for taxation purposes in the name of respondents, coupled with their actual possession thereof, strongly indicated that they owned the same. It held that petitioners were not buyers in good faith because it appeared that the execution of the deed of sale was only an afterthought. The dispositive portion of the trial court's decision reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiffs and against herein defendants:

1. that the deed of absolute sale, dated May 8, 1990 is hereby declared null and void;
2. that defendants reconvey to the plaintiffs the subject 80-square meter lot;
3. the Register of Deeds of Tabang, Guiguinto, Bulacan is hereby ordered to cancel TCT Nos. T-5065 in the name of defendant Victor Villadares and T-5066 in the name of defendants/Spouses Exequiel and Eusebia Lopez;
4. that defendants jointly and severally pay the plaintiffs the sum of: P10,000.00 for moral damages; P10,000.00 for exemplary damages and P10,000.00 for attorney's fees and cost of suit.

SO ORDERED.^[8]

Subsequently, the case was elevated to the CA on appeal, through petitioners' and Villadares' respective notices of appeal.

Based on the doctrine that land registration proceedings cannot shield fraud or permit the enrichment of a person at the expense of another, the CA affirmed the trial court's decision. In so ruling, the appellate court considered the following: (a) respondents' ownership of the 80-sq-m lot was admitted by petitioners during pre-trial; (b) petitioners were not innocent purchasers for value; (c) respondents were in possession of the subject property and paid the real property taxes thereon; and (d) the conveyance of the 273-sq-m lot from Villadares to petitioners was simulated.^[9]

Only Villadares filed a motion for reconsideration with the CA; petitioners elevated the case immediately to this Court. In a Resolution^[10] dated April 28, 2004, the CA resolved to hold in abeyance the resolution of Villadares' motion and to consider it abandoned if the present petition would be given due course by this Court.

In this petition, petitioners ascribe the following errors to the CA:

I.

THE HONORABLE COURT OF APPEALS FAILED TO RECOGNIZE THE ACTUAL POSSESSION OF PETITIONERS AND THEIR PREDECESSORS-IN-INTEREST ON (sic) THE PROPERTY NOW COVERED BY TCT NO. T-5066 OF THE REGISTRY OF DEEDS FOR THE PROVINCE OF BULACAN FOR MORE THAN FIFTY (50) YEARS.

II.

THE HONORABLE COURT OF APPEALS FAILED TO RECOGNIZE THAT PETITIONERS EXEQUIEL LOPEZ AND EUSEBIA LOPEZ HAVE BEEN PAYING REAL ESTATE TAXES ON THE SUBJECT PROPERTY AFTER THEY HAVE BOUGHT IT FROM PEDRO MANANSALA AND MIGUELA AYUSON MANANSALA ON AUGUST 2, 1974.

III.

THE HONORABLE COURT OF APPEALS ERRED IN CONSIDERING THE POSSESSION OF RESPONDENTS ON (sic) THE SUBJECT PROPERTY FOR LESS THAN THIRTY (30) YEARS.

IV.

THE HONORABLE COURT OF APPEALS FAILED TO RECOGNIZE THAT THE DEED OF ABSOLUTE SALE OF PORTION OF PARCEL OF LAND EXECUTED BY DEFENDANT VICTOR VILLADARES IN FAVOR OF PETITIONERS, EXEQUIEL LOPEZ AND EUSEBIA LOPEZ, WAS MERELY TO SETTLE THEIR CONFLICT OF OWNERSHIP ON THE SUBJECT PROPERTY AND TO EXPEDITE THE TRANSFER THEREOF TO THE PETITIONERS.

V.

THE HONORABLE COURT OF APPEALS ERRED IN AFFIRMING THE RULING OF THE LOWER COURT FOR THE CANCELLATION OF TCT NO. T-5065 WITH AN AREA OF 275 SQUARE METERS IN THE NAME OF DEFENDANT VICTOR VILLADARES AND THE CANCELLATION OF TCT NO. T-5066 WITH AN AREA OF 273 SQUARE METERS IN THE NAME OF PETITIONERS EXEQUIEL LOPE[Z] AND EUSEBIA LOPEZ, WHEN THE CLAIM OF RESPONDENTS IS ONLY EIGHTY (80) SQUARE METERS.^[11]

The petition is partly meritorious.

An action for reconveyance is a legal and equitable remedy granted to the rightful owner of a land which has been wrongfully or erroneously registered in the name of another for the purpose of compelling the latter to transfer or reconvey the land to him.^[12] The action does not seek to reopen the registration proceedings and to set aside the decree of registration but only purports to show that the person who

secured the registration of the property in controversy is not the real owner thereof.
[13]

Initially, we affirm the CA's findings of fact that respondents are the rightful owners of the subject property, an 80-sq-m portion of land, wrongfully included in either or in both of the certificates of title of petitioners or Villadares, and that petitioners were not innocent purchasers for value. As neighbors of respondents, petitioners certainly would have known that respondents actually occupied the subject property. Thus, Villadares, not being the owner of the subject property, could not have transferred ownership of the subject 80-sq-m portion of land to petitioners.

As a logical consequence, petitioners did not become the owners of the subject property even after a TCT had been issued in their names. After all, registration does not vest title. Certificates of title merely confirm or record title already existing and vested. They cannot be used to protect a usurper from the true owner, nor can they be used as a shield for the commission of fraud, or to permit one to enrich oneself at the expense of others.^[14] Hence, reconveyance of the subject property is warranted.

It is well to remember that in an action for reconveyance, the decree of registration is highly regarded as incontrovertible. What is sought is the transfer of the property or its title, which has been wrongfully or erroneously registered in another person's name, to its rightful owner or to one who has a better right.^[15] The present action for reconveyance only entails the segregation of the portion wrongfully included in the certificate of title. The decree of registration is to be respected, but the certificate of title will be cancelled for the purpose of amending it in order to exclude the portion wrongfully included therein. A new certificate covering the portion reconveyed shall then be subsequently issued in the name of the real owner.

However, the CA went beyond this and declared the entire deed of sale, covering 273 sq m, void for being simulated. As such, the CA decision would result not only in the amendment of petitioners' certificate of title, but in the absolute revocation of petitioners' title itself. The property would then revert to its previous owner, subject to the right of respondents over the portion of the lot which they claim as their own.

Understandably, petitioners anxiously insist that their TCT should not be cancelled even if the deed of sale is declared void. They maintain that they own the entire Lot 9954-B, not because they purchased the same from Villadares, but because they previously acquired the same from Pedro Manansala, in whose name the lot was previously declared for taxation purposes. Petitioners allegedly acquired the property from Pedro Manansala long before they bought the property from Villadares, and they claim that they and their predecessors-in-interest have been in possession thereof for more than 50 years. Hence, even if the deed of sale executed by Villadares in their favor is nullified, they would remain owners of the land and their title thereto should not be cancelled.^[16]

However, petitioners are barred from raising this issue as it constitutes a collateral attack on the decree of registration. The record shows that petitioners had participated in the land registration proceeding by filing their opposition to Villadares' application for registration. Petitioners' alleged possession of the property prior to Villadares' filing of the application for registration was, in fact, the meat of