

## SECOND DIVISION

[ G.R. No. 236516, March 25, 2019 ]

**ASUNCION Z. JURADO, JOINED BY HER HUSBAND REX[\*] A. JURADO, CATALINA Z. ALILING, JOINED BY HER HUSBAND JOSE P. O. ALILING IV, AND THE HEIRS OF FERNANDO M. ZAMORA, NAMELY: CECILIA F. ZAMORA, RAFAEL VICTOR F. ZAMORA, FRANCIS NOEL F. ZAMORA, AND CARLA MARIE F. ZAMORA, PETITIONERS, V. SPOUSES VICENTE AND CARMEN CHAI, RESPONDENTS.**

### D E C I S I O N

**PERLAS-BERNABE, J.:**

Assailed in this petition for review on *certiorari*<sup>[1]</sup> are the Decision<sup>[2]</sup> dated May 12, 2016 and the Resolution<sup>[3]</sup> dated January 10, 2018 of the Court of Appeals (CA) in CA-G.R. CV No. 103042, which reversed the Decision<sup>[4]</sup> dated February 25, 2014 of the Regional Trial Court of Santiago City, Branch 36 (RTC) in Civil Case No. Br. 2438 and consequently, dismissed the Amended Complaint<sup>[5]</sup> for annulment of Transfer Certificate of Title (TCT) Nos. T-194346, T-194348, and T-194349,<sup>[6]</sup> mandatory injunction, and damages (annulment case) filed by petitioners Asuncion Z. Jurado (Asuncion), joined by her husband Rex A. Jurado; Catalina Z. Aliling (Catalina), joined by her husband Jose P. O. Aliling IV; and the Heirs of Fernando M. Zamora, namely: Cecilia F. Zamora, Rafael Victor F. Zamora, Francis Noel F. Zamora, and Carla Marie F. Zamora (collectively, petitioners) against respondents Spouses Vicente and Carmen Chai (respondents).

### The Facts

Petitioners Asuncion and Catalina claimed to be the registered owners, together with their deceased brother Fernando Zamora (Fernando; collectively, the Zamoras), of a 7,086-square meter (sq. m.) parcel of land denominated as Lot 4900 of the Cadastral Survey of Santiago, located in Santiago City, Isabela (Lot 4900), covered by TCT No. T-65150 which they inherited from their father, Dominador Zamora (Dominador). Dominador held the same under TCT No. T-2291 after acquiring it from the original owners, Spouses Antonio Pariñas and Maura Balbin (Spouses Pariñas).<sup>[7]</sup>

Sometime in 1997, they discovered that respondents unlawfully caused the subdivision of Lot 4900 into several parcels of land under four (4) certificates of title (derivative titles), to wit: (1) TCT No. T-194346<sup>[8]</sup> in the name of Vicente Chai, married to Carmen T. Chai; (2) TCT No. T-194347<sup>[9]</sup> in the name of Eduardo Sarmiento, married to Josefina M. Sarmiento (Spouses Sarmiento); (3) TCT No. T-194348<sup>[10]</sup> in the name of Anastacio Palermo (Anastacio); and (4) TCT No. T-194349<sup>[11]</sup> in the names of Leonora Pariñas and Margarita Pariñas (Pariñas heirs).

This prompted the Zamoras to file an annulment case against respondents, Spouses Sarmiento, Anastacio, the Pariñas heirs with their spouses, and the Register of Deeds (RD) for Isabela in Santiago City, Isabela (RD-Santiago), which was later amended to include the lessee, Petron Corporation (Petron), as defendant (collectively, Chai, *et al.*). They claimed that the titles of Chai, *et al.* proceeded from a fake Original Certificate of Title (OCT) No. 3429 that was reconstituted judicially and administratively without notice to all concerned parties, and without following the prescribed procedure.<sup>[12]</sup>

In support of their claim, the Zamoras presented the following, among others: (a) the owner's duplicate copy (ODC) of TCT No. T-65150<sup>[13]</sup> in Judicial Form No. 109-D bearing serial number 2273614 entered in the Registry of Deeds for Isabela in Ilagan, Isabela (RD-Ilagan)<sup>[14]</sup> on March 13, 1973 at 11:20 a.m., purporting to be a transfer from TCT No. T-2291 derived from OCT No. 6142 pursuant to Decree No. 689655 issued in Land Registration Commission (LRC) Cadastral Record No. 1496, which was originally registered on February 11, 1939; (b) Land Registration Authority (LRA) Certification<sup>[15]</sup> dated February 16, 2004, stating that Judicial Form No. 109-D with serial number 2273614 was issued to the RD-Ilagan on January 18, 1972; (c) Extrajudicial Settlement of the Estates of the Late Spouses Dominador Zamora and Victoria Mistica<sup>[16]</sup> which included Lot 4900 among the properties inherited by the Zamoras from their parents;<sup>[17]</sup> (d) Official Receipt (OR) No. 482515<sup>[18]</sup> dated August 25, 1947 in the amount of P3.00, representing the docket fee paid by Dominador for his petition for issuance of the owner's duplicate of TCT No. T-2291; (e) certified microfilm copy of Decree No. 689655,<sup>[19]</sup> decreeing the registration of Lot 4900 in the name of the conjugal partnership of Spouses Pariñas; (f) Tax Declaration (TD) No. 5746<sup>[20]</sup> dated October 12, 1949 in the name of Dominador over the land covered by TCT No. T-2291, which cancelled Tax No. 16978;<sup>[21]</sup> (g) Tax No. 16978<sup>[22]</sup> in the name of Antonio Pariñas (Antonio); (h) real property tax (RPT) receipts in the name of Antonio for the years 1942 to 1944,<sup>[23]</sup> and in the name of Dominador for the years 1949 to 1974,<sup>[24]</sup> (i) OR No. 0811990<sup>[25]</sup> dated May 2, 1944 in the amount of P1.06, representing the payment by Antonio for Cadastral Title No. 6142 in his name; (j) ODCs<sup>[26]</sup> of TCT Nos. T-65146 to T-65149<sup>[27]</sup> (inclusive), and T-65151<sup>[28]</sup> in the names of the Zamoras, covering parcels of land in: the municipalities of Santiago and San Manuel, Isabela, to show that TCT No. T-65150 is one of the six (6) consecutively numbered TCTs issued by the RD-Ilagan to them on February 13, 1973; (k) certified true copy of OCT No. 0-3429<sup>[29]</sup> over Lot No. 7069 (Lot 7069) in the name of the conjugal partnership of Spouses Jose Calma and Crisanta Tumacder (Spouses Calma) pursuant to Decree No. N-167495 issued in LRC Cadastral Record No. 1474; and (l) Decree No. N-167495,<sup>[30]</sup> decreeing the registration of title over Lot 7069 of the subdivision survey of Santiago, Cadastral Case No. 23, LRC Cadastral Record No. 1474, with an area of 9,155 sq. m. in the name of the conjugal partnership of Spouses Calma.

For their part, respondents raised the defense of denial, and claimed that a portion<sup>[31]</sup> of Lot 4900, which was originally registered under OCT No. 3429 in the names of Spouses Pariñas (Pariñas OCT 3429), was transferred to them on October 19, 1990, through an Extrajudicial Settlement of Estate with Simultaneous Sale<sup>[32]</sup> executed by the Heirs of Spouses Pariñas who gave them a photocopy of Pariñas

OCT 3429.<sup>[33]</sup> They alleged that they inspected Lot 4900 and inquired its status from the adjoining owners, who informed them that the same was owned by Spouses Pariñas. After the ocular inspection, they instructed a certain Teresita Masa (Ms. Masa) to verify the existence and genuineness of Pariñas OCT 3429 with the RD-Ilagan which issued a Certification<sup>[34]</sup> dated March 21, 1990 (RD-Ilagan Certification) stating that the subject 7,086-sq. m. Lot 4900 situated in Poblacion, Santiago Isabela covered by Pariñas OCT 3429 is free from any liens and encumbrances except Section 7 of Republic Act No. (RA) 26<sup>[35]</sup> inscribed at the back of said title. Masa likewise went to the Office of the Municipal Assessor of Santiago, Isabela and found that the same was declared for taxation purposes in the name of Spouses Pariñas. Thereafter, respondents purchased the said land.<sup>[36]</sup>

To support their allegations, respondents adduced the following documents, among others: (a) the Affidavit<sup>[37]</sup> of Ms. Masa dated September 13, 2012; (b) the RD-Ilagan Certification;<sup>[38]</sup> (c) the Extrajudicial Settlement of Estate with Simultaneous Sale<sup>[39]</sup> dated October 19, 1990; (d) TD No. 89-11075-R<sup>[40]</sup> in the name of Spouses Pariñas covering Lot 4900, effective 1990; (e) TCT No. T-194346;<sup>[41]</sup> and (f) RPT receipts<sup>[42]</sup> for the years 1991 to 2012.

On the other hand, defendant Leonora Pariñas-Dela Peña (source of right of respondents) maintained the primacy of OCT No. 3429 over OCT No. 6142 for having been issued earlier.<sup>[43]</sup> However, she was subsequently declared in default for failure to appear during the pre-trial.<sup>[44]</sup> On the other hand, Spouses Sarmiento were declared in default for failure to file their answer,<sup>[45]</sup> while the cases against Anastacio,<sup>[46]</sup> and Margarita Pariñas and her husband Melecio Pinto<sup>[47]</sup> (Spouses Pinto) were eventually dropped.

For its part, Petron averred<sup>[48]</sup> that prior to the execution of the 20-year Lease Agreement<sup>[49]</sup> over a 2,000-sq. m. portion of Lot 4900, it conducted due diligence verification on respondents' title and was able to confirm the authenticity of TCT No. T-194346. Thus, it claimed to be an innocent lessee for value entitled to the full protection of the law.<sup>[50]</sup>

During the proceedings before the RTC, petitioners filed a Request for Admission<sup>[51]</sup> dated June 4, 2007, seeking admission from the RD-Santiago, among others, that: (a) there is no record or entry of Pariñas OCT 3429 existing in their records; and (b) OCT No. 3429 on file with it is OCT No. 0-3429 over Lot 7069 in the names of Spouses Calma (Calma OCT) for a parcel of land in San Mateo, Isabela.<sup>[52]</sup> A reply<sup>[53]</sup> thereto was submitted by the RD-Santiago, admitting such facts, with the qualification that OCT No. 0-3429 was transmitted to it by the RD-Ilagan.<sup>[54]</sup>

Subsequently, petitioners filed a Motion for Summary Judgment<sup>[55]</sup> and a supplement<sup>[56]</sup> thereto, contending that no genuine issue of fact exists in view of, among others: (a) Leonora Pariñas-Dela Peña's *implied* admission<sup>[57]</sup> that: (i) the heirs of Spouses Pariñas were not aware and did not participate in the reconstitution of Pariñas OCT 3429, as it was respondent Vicente Chai who authored the Extrajudicial Settlement of Estate with Simultaneous Sale, produced Pariñas OCT 3429, and caused the survey and subdivision of Lot 4900; and (ii) she has nothing to do with Pariñas OCT 3429 considering that the actual title of Spouses Pariñas to

the land is OCT No. 6142;<sup>[58]</sup> (b) the RD-Santiago's *express* admission that there is no record or entry of Pariñas OCT 3429 existing in its records as what is on file with it is the Calma OCT;<sup>[59]</sup> (c) Spouses Chai's *express* admission that the origin of the derivative titles of Chai, *et al.* was Pariñas OCT 3429;<sup>[60]</sup> and (d) Spouses Sarmiento's *express* admission of petitioners' ownership and title over Lot 4900, which they derived from Dominador who held the same under TCT No. 2291 in his name. Thus, petitioners claimed that they are entitled to a judgment as a matter of law.<sup>[61]</sup> However, in a Resolution<sup>[62]</sup> dated February 27, 2008, the RTC denied the motions for lack of merit.<sup>[63]</sup> The matter was elevated to the CA via a petition for *certiorari*,<sup>[64]</sup> docketed as CA-G.R. No. SP No. 104344, which resulted to the Amended Decision<sup>[65]</sup> dated July 20, 2009, *inter alia*, declaring TCT No. T-194347 in the name of Spouses Sarmiento null and void,<sup>[66]</sup> finding that summary judgment is proper only with respect to them in view of their admission of petitioners' ownership of Lot 4900.<sup>[67]</sup>

### **The RTC Ruling**

In a Decision<sup>[68]</sup> dated February 25, 2014, the RTC: (a) declared null and void TCT Nos. T-194346, T-194348, and T-194349; (b) confirmed petitioners' ownership over Lot 4900 covered by TCT No. T-65150; and (c) ordered Petron to pay petitioners the rentals stipulated in the Lease Agreement dated September 20, 1996, or to consign the rentals in court while the case is under litigation.<sup>[69]</sup>

The RTC observed that the judicial reconstitution proceedings of Pariñas OCT 3429 was attended with irregularity, considering that the Order granting the reconstitution was issued only in a span of 28 days from the date of filing of the petition,<sup>[70]</sup> which was contrary to the provisions<sup>[71]</sup> of RA 26. It likewise ruled that respondents were not purchasers in good faith, pointing out that the fact that Pariñas OCT 3429 was a reconstituted title should have alerted them to make an investigation in the Register of Deeds, which could have disclosed such irregularity but they failed to do so. Consequently, it ruled that Chai, *et al.* did not acquire valid title to Lot 4900, and declared their titles null and void for having been derived from a spurious and fake reconstituted title.<sup>[72]</sup>

On the other hand, the RTC ruled that petitioners were able to discharge their burden of proving their claim of ownership over Lot 4900 by preponderance of evidence. While it noted that TCT No. T-65150 is not intact with the RD-Santiago, it held that petitioners were able to show that they and their predecessors-in-interest were issued certificates of title over the said land.<sup>[73]</sup>

Finally, the RTC found that Petron had the right to rely on respondents' title at the time the Lease Contract was entered.<sup>[74]</sup> Aggrieved, petitioners and herein respondents separately moved for reconsideration,<sup>[75]</sup> which were, however, denied in an Order<sup>[76]</sup> dated May 20, 2014.

Only herein respondents elevated the matter to the CA.<sup>[77]</sup>

### **The CA Ruling**

In a Decision<sup>[78]</sup> dated May 12, 2016, the CA reversed the RTC decision<sup>[79]</sup> and dismissed the annulment case for lack of merit.<sup>[80]</sup>

The CA ruled that respondents were purchasers in good faith despite the irregularity which attended the reconstitution of Pariñas OCT 3429. It ratiocinated that respondents had the right to believe that the said title was duly reconstituted since reconstituted certificates of titles have the same validity and legal effect as the originals thereof. Moreover, it observed that their act of verifying the existence of the title with the RD and their honest belief that the sellers could legally convey the title to the land proved that respondents were buyers in good faith.<sup>[81]</sup>

On the other hand, the CA held that petitioners were not able to prove their right or interest in Lot 4900, pointing out that TCT No. T-65150 was not on file with the RD-Ilagan and notwithstanding, they had not taken any immediate action to reconstitute the same. It further noted that: (a) TCT No. T-2291, which is the origin of petitioners' title, was defective;<sup>[82]</sup> and (b) there was discrepancy in the date of issuance of Decree No. 689655 and the date of registration indicated in TCT Nos. T-65150 and T-2291;<sup>[83]</sup> and (c) petitioners did not take steps to exercise possession over the premises and pay the corresponding real property taxes starting 1975.<sup>[84]</sup>

Unperturbed, petitioners moved for reconsideration<sup>[85]</sup> but the same was denied in a Resolution<sup>[86]</sup> dated January 10, 2018; hence, this petition.

### **The Issue Before the Court**

The issues for the Court's resolution are whether or not the CA erred in declaring that: (a) respondents are purchasers in good faith; and (b) petitioners have not proven their claim of ownership over Lot 4900.

### **The Court's Ruling**

In the present case, the CA ruled that respondents had the right to believe that Pariñas OCT 3429 was duly reconstituted since reconstituted certificates of titles have the same validity and legal effect as the originals thereof, and consequently adjudged them to be purchasers in good faith despite the irregularity which attended its reconstitution.

The Court disagrees.

#### **I. Persons dealing with administratively reconstituted titles should conduct an inquiry or investigation as might be necessary to acquaint themselves with the defects in the titles of their vendors.**

Case law states that **reconstituted titles shall have the same validity and legal effect as to the originals thereof unless the reconstitution was made extrajudicially, or administratively**. This is because administrative reconstitution is essentially *ex-parte* and without notice, and thus, administratively reconstituted titles do not share the same indefeasible character of the original certificates of title. Anyone dealing with such copies are put on notice of such fact and warned to be extra-careful.<sup>[87]</sup>