

THIRD DIVISION

[G.R. No. 199810, March 15, 2017]

BEVERLY ANNE C. YAP, PETITIONER, VS. REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE REGIONAL EXECUTIVE DIRECTOR, DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES (DENR), RESPONDENT.

DECISION

REYES, J.:

This is a petition for review on *certiorari*^[1] seeking to annul and set aside the Decision^[2] dated June 30, 2011 and Resolution^[3] dated November 14, 2011 of the Court of Appeals (CA) in CA-G.R. CV No. 01753-MIN which reversed and set aside the Decision^[4] dated October 24, 2008 of the Regional Trial Court (RTC) of Davao City, Branch 16, in Civil Case No. 29,705-03, dismissing the complaint for reversal of a parcel of land.

Antecedent Facts

Consuelo *Vda. de* dela Cruz applied for free patent over a parcel of land constituting about 1,292 square meters, designated as Lot No. 9087, Cad. 102, located in Daliao, Toril, Davao City. As she could not wait for the approval of her application, she executed a Deed of Waiver/Quitclaim^[5] on November 25, 1981 in favor of Rolie Pagarigan (Pagarigan).^[6]

Pagarigan filed his own Free Patent Application (FPA)^[7] and subsequently, Free Patent No. (XI-1)5133 was issued to him over said lot. Original Certificate of Title (OCT) No. P-11182^[8] was thereby issued in his name on November 25, 1982.^[9]

On September 5, 1989, Pagarigan mortgaged the lot to Banco Davao-Davao City Development Bank (the Bank). For failure to pay his loan, the property was foreclosed, and was eventually sold to the Bank at public auction on October 26, 1990. These proceedings were duly annotated in the title.^[10]

However, the land covered by OCT No. P-11182 was allegedly occupied by Teodoro Valparaiso and Pedro Malalis (protestants). On October 24, 1990, the protestants filed a formal protest with the Bureau of Lands (Bureau). They prayed for the recall of the free patent issued to Pagarigan, and for the institution of a corresponding action for reversion considering that they have been in adverse, exclusive, and continuous occupation of the subject property since 1945, cultivating it, and planting various crops, *nipa* palms and coconut trees on said land.^[11]

On January 27, 1992, the protestants caused the annotation of a notice of *lis pendens* in OCT No. P-11182. Assigned as Entry No. 647677, said notice of *lis*

pendens pertained to Civil Case No. 20-435-9^[12] instituted by the protestants against Pagarigan, Menardo Metran and Rene Galope to enjoin them from demolishing the former's houses pending the determination of the Department of Environment and Natural Resources (DENR) on the propriety of cancelling the title obtained by Pagarigan.^[13]

The administrative protest of the protestants reached the Office of the Secretary of the DENR. On May 15, 1995, Secretary Angel C. Alcala rendered a Decision^[14] against Pagarigan, the salient portion and the *fallo* of which read as follows:

From the Investigation Reports submitted by both the Department's Regional Office involved and this Office as well as from the other pieces of evidence available, both documentary and testimonial, it is obvious that actual fraud and bad faith have been committed by [Pagarigan] in his subject public land application which led to the issuance of the title. The following facts and circumstances are uncontroverted, to wit; that the [protestants] have been in actual occupation of the land in dispute since 1945 and have introduced improvements thereon; that [Pagarigan] never occupied the same nor his predecessor-in-interest, Consuelo dela Cruz, that [Pagarigan] misrepresented in his application that he was the actual occupant and that there were no others who occupied the lot in dispute; that the title was issued sans an actual ground survey; and that [Pagarigan] did not post a copy of his Notice for [FPA] on both the Bulletin Boards of Daliao and Lizardo as required by law.

x x x x

WHEREFORE, the instant appeal is hereby given **DUE COURSE** and the subject Decision appealed from **SET ASIDE** and **REVOKED**. Consequently, the Regional Executive Director (RED), DENR Region XI, Davao City, is hereby ordered to institute an action for cancellation of Original Certificate of Title (OCT) No. V-11182 of the Registry of Deeds of Davao City covering Lot No. 9087, Cad-102, and for the reversion of the property covered thereby to the government.

After the cancellation of the subject title and the land already reverted to the government, Regional Executive Director (RED) concerned shall then order the ground survey of the land in dispute and give due course to the public land applications of the [protestants].

SO ORDERED.^[15]

Meanwhile, on November 5, 1992, without consolidating title over the land in its name, the Bank sold the subject property to herein petitioner Beverly Anne C. Yap (Yap) and Rosanna F. Villamor (Villamor). Upon the execution of the deed of sale, OCT No. P-11182 was delivered to them and Transfer Certificate of Title No. 366983^[16] was eventually issued in the name of Yap and Villamor on December 16, 2003.^[17]

On February 28, 1997, the Department of Transportation and Communication filed a complaint for expropriation of a portion of the subject lot before the RTC of Davao City, Branch 13, docketed as Civil Case No. 25,084-97.^[18]

On February 19, 2003, the RTC Branch 13 rendered its Decision.^[19] Confronted with the issue of who among the claimants shall be entitled to just compensation, the trial court ruled in this wise:

WHEREFORE, it is the judgment of this court that[:]

1. The plaintiff is entitled to expropriate the land subject of this case for the purpose of road right of way to the Davao Fish Port, which is for public use;
2. The just compensation for the land is **P278,000.00**;
3. [Villamor and Yap] are the ones entitled to the payment of just compensation for the property subject of this case, and plaintiff is directed to pay the said amount to the said defendants;
4. The Commissioner's Fee of **P3,850.00** shall be paid by plaintiff to Asian Appraisal Company, Inc., and may be deducted from the just compensation for the land being expropriated.

This case is now considered closed.

SO ORDERED.^[20]

Ruling of the RTC

On May 22, 2003, the respondent, through the Office of the Solicitor General (OSG), filed the Complaint for Cancellation of Patent, Nullification of Title and Reversion with the RTC of Davao City.^[21] The case was raffled to Branch 16 thereof.

On October 24, 2008, the RTC Branch 16 rendered a Decision^[22] dismissing the respondent's complaint. The court ruled that since the subject land has already been sold to third persons, it must be shown that the latter were part of the fraud and/or misrepresentation committed by the original grantee, or at least were aware of it. However, since the RTC Branch 13 already declared in its decision in Civil Case No. 25,084-97 that Yap and Villamor were purchasers in good faith and for value of the land in question, RTC Branch 16 maintained that, as a court of co-equal jurisdiction, it is bound by the said finding under the principle of conclusiveness of judgment. Moreover, the fact that it took the respondent 26 years, from the issuance of the free patent before it instituted an action for reversion, militates against its cause. The *fallo* of the trial court's decision reads:

IN VIEW of the foregoing, judgment is hereby rendered dismissing the instant complaint.

Defendants' [sic] [Bank] and Pagarigan compulsory counterclaim[s] are likewise dismissed in the absence of proof that there was malice or bad faith on [the respondent's] part when it sought the reversion of the property.

The dismissal of the action necessarily carries with it the dismissal of defendant's [sic] [Bank] cross-claim against [Pagarigan].

SO ORD[E]RED.^[23]

Ruling of the CA

The respondent elevated its case to the CA. On June 30, 2011, the CA rendered the assailed Decision^[24] reversing that of the trial court. In so ruling, the CA adopted the findings of the DENR as to the commission of fraud by Pagarigan in his FPA, and held that neither the Bank nor Yap and Villamor were innocent purchasers for value. Further, the CA maintained that the decision of the RTC Branch 13 did not constitute *res judicata* insofar as the same has not yet attained finality. The *fallo* of the CA decision reads:

WHEREFORE, We GRANT the appeal and REVERSE the decision of the [RTC]. We declare Free Patent No. (XI-1)5133 and [OCT] No. P-11182 issued in the name of [Pagarigan], and [TCT] No. T-366983 in the name of [Yap] and [Villamor], and all subsequent [TCTs] derived therefrom, as null and void. We order the reversion of Lot 9087, Cad. 102, [l]ocated in Daliao, Toril, Davao City, to the mass of public domain.

SO ORDERED.^[25]

The Bank,^[26] Yap,^[27] and Villamor^[28] sought reconsideration of the CA decision, but their motion was evenly denied in the Resolution^[29] dated November 14, 2011.

Hence this petition filed solely by Yap.

Yap propounds the following assignments of errors:

- I. Whether or not the decision of the CA is not in accord with the applicable decision enunciated by the Court in the case of *Spouses Macadangdang v. Spouses Martinez*;^[30]
- II. Whether or not the CA departed from the rule declared by the Court in the case of *Saad Agro-Industries, Inc. v. Republic of the Philippines*,^[31] that in reversion proceedings the same must be proved by clear and convincing evidence, mere preponderance of

evidence not even being adequate; and

III. Whether or not the decision of the CA runs counter to the rule on *res judicata*.^[32]

Yap asserts that she and Villamor purchased the subject property in good faith and for value. She maintains that on its face, nothing appears in OCT No. P-11182 indicating that some other person has a right to, or interest over the property covered thereby. As such, there was no obligation on their part to look beyond the certificate of title to determine the legal condition of the concerned property.

Granting that a notice of *lis pendens* was annotated in OCT No. P-11182 filed before the Register of Deeds of Davao City, the same, however, was not offered in evidence and should not have been considered. Accordingly, the presumption that Yap and Villamor were purchasers in good faith and for value was not effectively rebutted.

Moreover, in the case for expropriation heard before the RTC Branch 13, they were already adjudged as innocent purchasers for value. Under the principle of *res judicata*, it was but proper for RTC Branch 16 to uphold said pronouncement. Accordingly, it was an error on the part of the CA to reverse the same.

Invoking the Court's ruling in *Saad Agro-Industries*,^[33] Yap asserts that the respondent failed to discharge the burden of proving the alleged fraud and misrepresentation which attended Pagarigan's FPA.

Ruling of the Court

Yap's contentions are untenable.

The decision of the CA does not run counter to the rule on conclusiveness of judgment.

Yap asserts that the CA erred in setting aside the decision of RTC Branch 16 in violation of the rule on *res judicata*. It was a finding already made by the RTC Branch 13, a co-equal branch that the land is now in the hands of innocent purchasers for value. Thus, the respondent's complaint for reversion must be dismissed on the basis of the principle of conclusiveness of judgment.

The Court does not agree.

In a catena of cases, the Court discussed the doctrine of conclusiveness of judgment, as a concept of *res judicata* as follows:

The second concept — conclusiveness of judgment — states that **a fact or question which was in issue in a former suit and was there judicially passed upon and determined by a court of competent jurisdiction, is conclusively settled by the judgment therein as far**