

SECOND DIVISION

[G.R. No. 173120 & 173141, July 26, 2017]

**SPOUSES YU HWA PING AND MARY GAW, PETITIONERS, V.
AYALA LAND, INC., RESPONDENT.**

[G.R. No. 173141, July 26, 2017]

**HEIRS OF SPOUSES ANDRES DIAZ AND JOSEFA MIA,
PETITIONERS, V. AYALA LAND, INC., RESPONDENT.**

D E C I S I O N

MENDOZA, J.:

These petitions for review on *certiorari* seek to reverse and set aside the June 19, 2006 Decision^[1] of the Court of Appeals (CA) in CA-G.R. CV Nos. 61593 and 70622, which reversed and set aside its February 8, 2005 Amended Decision^[2] and reinstated its February 28, 2003 Decision,^[3] in a case for annulment of title and surveys, recovery of possession and judicial confirmation of title.

The Antecedents

On **March 17, 1921**, petitioners Spouses Andres Diaz and Josefa Mia (*Spouses Diaz*) submitted to the General Land Registration Office for approval of the Director of Lands a survey plan designated as **Psu-25909**, which covered a parcel of land located at Sitio of Kay Monica, Barrio Pugad Lawin, Las Piñas, Rizal, with an aggregate area of 460,626 square meters covered by Lot 1. On **May 26, 1921**, the Director of Lands approved survey plan Psu-25909.

On **October 21, 1925**, another survey plan was done covering Lot 3 of the same parcel of land designated as **Psu-47035** for a certain Dominador Mayuga. The said survey, however, stated that the lot was situated at Sitio May Kokek, Barrio Almanza, Las Piñas, Rizal. Then, on **July 28, 1930**, another survey was undertaken designated as **Psu-80886** for a certain Eduardo C. Guico (*Guico*). Again, the survey indicated a different address that the lots were situated in Barrio Tindig na Mangga, Las Piñas, Rizal. Finally, on **March 6, 1931**, an additional survey plan was executed over the similar parcel of land designated as **Psu-80886/SWO-20609** for a certain Alberto Yaptinchay (*Yaptinchay*). Psu-80886 and Psu-80886/SWO-20609 covered Lot 2, with 158,494 square meters, and Lot 3, with 171,309 square meters, of the same land.

On **May 9, 1950**, **Original Certificate of Title (OCT) No. 242** was issued in favor of Yaptinchay covering Lots 2 and 3 pursuant to Psu-80886/SWO-20609. On **May 11, 1950**, **OCT No. 244** was also issued to Yaptinchay. On **May 21, 1958**, **OCT No. 1609** covering Lot 3 pursuant to Psu-47035 was issued in favor of Dominador Mayuga. On May 18, 1967, some of properties were sold to CPJ Corporation resulting in the issuance of Transfer Certificate Title (*TCT*) No. 190713 in its name.

On **February 16, 1968**, petitioner Andres Diaz filed a petition for original registration before the Court of First Instance (*CFI*) of Pasay for Lot No. 1 of Psu-25909. On **October 19, 1969**, judgment was rendered by the CFI of Pasay for the original registration of Psu-25909 in favor of Andres Diaz. On **May 19, 1970, OCT No. 8510** was issued in the name of Spouses Diaz. On **May 21, 1970**, the Spouses Diaz **subdivided** their 460,626 square meter property covered by **OCT No. 8510 into ten (10) lots**, described as Lots No. 1-A to 1-J and conveyed to different third parties.

On May 17, 1971, CPJ Corporation, then owner of the land covered by TCT No. 190713, which originated from OCT No. 242, filed Land Registration Case No. N-24-M before the Regional Trial Court (*RTC*) of Pasig City, Branch 166, against Spouses Diaz and other named respondents (*Diaz Case*). It sought to review OCT No. 8510 in the names of Spouses Diaz on the ground that the interested persons were not notified of the application.

On August 30, 1976 and December 4, 1976, **Andres Diaz sold to Librado Cabautan (*Cabautan*)** the following parcels of land, which originated from OCT No. 8510 under Psu-25909, to wit:

1. Lot 1-I, with an area of 190,000 square meters covered by the new TCT No. 287416;
2. Lot 1-B, with an area of 135,000 square meters covered by the new TCT No. 287411;
3. Lot 1-A with an area of 125,626 square meters covered by the new TCT No. 287412; and
4. Lot 1-D, with an area of 10,000 square meters also covered by the new TCT No. 287412.^[4]

On March 12, 1993, petitioner Spouses Yu Hwa Ping and Mary Gaw (*Spouses Yu*) acquired ownership over **67,813 square meters representing the undivided half-portion of Lot 1-A originating from OCT No. 8510 of Spouses Diaz**. The said property was co-owned by Spouses Diaz with Spouses Librado and Susana Cabautan resulting from a civil case decided by the RTC of Makati on March 29, 1986.

On January 27, 1994, Spouses Yu acquired ownership over Lot 1-B originating from OCT No. 8510 of Spouses Diaz with an area of 135,000 square meters. Pursuant to the transfers of land to Spouses Yu, TCT Nos. 39408 and 64549 were issued in their names.

On the other hand, on May 4, 1980, CPJ Corporation transferred their interest in the subject properties to third persons. Later, in 1988, Ayala Corporation obtained the subject properties from Goldenrod, Inc. and PESALA. In 1992, pursuant to the merger of respondent Ayala Land, Inc. (*ALI*) and Las Piñas Ventures, Inc., ALI acquired all the subject properties, as follows:

1. Lot 3 which originated from OCT No. 1609 under Psu- 47035 and covered by a new TCT No. 41325;
2. Lot 2 which originated from OCT No. 242 under Psu- 80886/SWO-20609 and covered by a new TCT No. 41263;
3. Lot 3 which originated from OCT No. 242 under Psu- 80886/SWO-20609 and covered by a new TCT No. 41262; and

4. Lot 6 which originated from OCT No. 242 under Psu- 80886/SWO-20609 and covered by a new TCT No. 41261.^[5]

First RTC Ruling

Returning to the Diaz case, on December 13, 1995, the RTC of Pasig City rendered a Decision^[6] against Spouses Diaz. It held that OCT No. 8510 and all the transfer certificates issued thereunder must be cancelled. The RTC of Pasig City opined that Spouses Diaz committed fraud when they filed their application for original registration of land without informing the interested parties therein in violation of Sections 31 and 32 of Act No. 496. It also held that Spouses Diaz knew that CPJ Corporation had an appropriate interest over the subject properties.

Aggrieved, Spouses Diaz elevated an appeal before the CA docketed as CA-G.R.CV No. 61593.

Meanwhile, sometime in August 1995, Spouses Yu visited their lots. To their surprise, they discovered that ALI had already clandestinely fenced the area and posted guards thereat and they were prevented from entering and occupying the same.^[7] They also discovered that the transfer of certificates of titles covering parcels of land overlapping their claim were in the name of ALI under TCT Nos. 41325, 41263, 41262, and 41261.

On December 4, 1996, Spouses Yu filed a complaint before the RTC of Las Piñas City, Branch 255, against ALI for declaration of nullity of the TCTs issued in the name of the latter (*Yu case*). They also sought the recovery of possession of the property covered by ALI's title which *overlapped* their land alleging that Spouses Diaz, their predecessors had open, uninterrupted and adverse possession of the same from 1921 until it was transferred to Cabautan in 1976. Spouses Yu averred that Cabautan possessed the said land until it was sold to them in 1994.^[8] They likewise sought the judicial confirmation of the validity of their titles.

Spouses Yu principally alleged that the titles of ALI originated from OCT Nos. 242, 244, and 1609, which were covered by Psu-80886 and Psu-47035. The said surveys were merely copied from Psu-25909, which was prepared at an earlier date, and *the Director of Lands had no authority to approve one or more surveys by different claimants over the same parcel of land*.^[9] They asserted that OCT No. 8510 and its transfer certificates, which covered the Psu-25909, must be declared valid against the titles of ALI.

The RTC of Las Piñas ordered the conduct of a verification survey to help in the just and proper disposition of the case. Engr. Veronica Ardina-Remolar from the Bureau of Lands, the court-appointed commissioner, supervised the verification survey, and the parties sent their respective surveyors. After the verification survey was completed and the parties presented all their pieces of evidence, the case was submitted for resolution.

Second RTC Ruling

In its May 7, 2001 Decision,^[10] the RTC of Las Piñas ruled in favor of Spouses Yu. It held that **based on the verification survey and the testimonies of the parties' witnesses**, OCT Nos. 242, 244, and 1609 **overlapped** OCT No. 8510. The RTC of Las Piñas also pointed out, and extensively discussed, that Psu-80886 and Psu-

47035, which were the bases of OCT Nos. 242, 244, and 1609, were marred with numerous and blatant errors. It opined that ALI did not offer any satisfactory explanation regarding the glaring discrepancies of Psu-80886 and Psu-47035. On the other hand, it observed that Psu-25909, the basis of OCT No. 8510, had no irregularity in its preparation. Thus, the RTC of Las Piñas concluded that the titles of ALI were void *ab initio* because their original titles were secured through fraudulent surveys. The *fallo* reads:

WHEREFORE, judgment is rendered in favor of the plaintiffs in that the three transfer certificates issued in the name of Ayala Land, Inc. by the Register of Deeds in the City of Las Piñas, namely, Transfer Certificate of Title Nos. 41325, 41263 and 41262 all covering Lots Nos. 1, 2 and 6 of survey plans PSU-47035, PSU-80886, Psu-80886/SWO-20609, the original survey under PSU-47035 and decree of registration no. N-63394, and Original Certificate of Title No. 1609 issue in favor of Dominador Mayuga, including all other titles, survey and decrees pertaining thereto and from or upon which the aforesaid titles emanate, are hereby declared spurious and void *ab initio*. In the same vein, the Court upholds the validity of Transfer Certificates of Title Nos. TCT Nos. T-64549 covering Lot 1-A in the name of Mary Gaw, spouse of Yu Hwa Ping, and T-39408 covering Lot 1-B in the name of Yu Hwa Ping (both originating from Original Certificate of Title No. 8510) pursuant to plan PSU-25909 undertaken on March 17, 1921. The defendant is also ordered to pay the plaintiffs temperate damages in the amount of One Million Pesos (PHP1,000,000.00) exemplary damages in the amount of Five Hundred Thousand Pesos (PHP500,000.00), and to pay the costs.

SO ORDERED.^[11]

Unconvinced, ALI appealed to the CA, where the case was docketed as CA-G.R. CV No. 70622. Eventually, said appeal was consolidated with the earlier appeal of Spouses Diaz in CA-G.R. CV No. 61593.

The CA Rulings

In its decision, dated June 19, 2003, the CA *ruled in favor of ALI*. It held that in the Diaz case, the RTC of Pasig properly cancelled OCT No. 8510 because Spouses Diaz committed fraud. It opined that Spouses Diaz knew of CPJ Corporation's interest over the subject land but failed to inform it of their application.

With respect to the Yu case, the CA ruled that Spouses Yu could no longer assert that the titles of ALI were invalid because the one-year period to contest the title had prescribed. Hence, ALI's titles were incontestable. The CA underscored that the errors cited by the RTC of Las Piñas in Psu-80886 and Psu-47035, upon which the titles of ALI were based, were innocuous or already explained. It also stressed that OCT Nos. 242, 244, and 1609, from which the titles of ALI originated, were issued in 1950 and 1958; while the OCT No. 8510, from which the titles of Spouses Yu originated, was only issued in 1970. As the original titles of ALI predated that of Spouses Yu, the CA concluded that the former titles were superior.

Undaunted, Spouses Yu and Spouses Diaz filed their motions for reconsideration.

In its decision, dated February 8, 2005, the CA *granted* Spouses Yu and Spouses Diaz' *motions for reconsideration*. It opined that the numerous errors in Psu-80886

and Psu-47035 were serious and these affected the validity of the original titles upon which the surveys were based. In contrast, the CA noted that Psu-25909, upon which the original titles of Spouses Yu and Spouses Diaz were based, bore all the hallmarks of verity.

The CA also emphasized that in *Guico v. San Pedro*,^[12] the Court already **recognized the defects surrounding Psu-80886**. In that case, the Court noted that the applicant-predecessor of Psu-80886 was not able to submit the corresponding measurements of the land and he failed to prove that he had occupied and cultivated the land continuously since the filing of their application. The CA likewise cited (1) the certification from the Department of Environment and Natural Resources-Land Management Bureau (*DENR-LMB*) that Psu-80886 was included in the list of restricted plans because of the doubtful signature of the surveyor, and (2) the memorandum, dated August 3, 2000, from the Assistant Regional Director for Operations of the DENR directing all personnel of the Land Survey Division not to issue copies or technical descriptions of Psu-80886 and Psu-47035.

The CA further wrote that the slavish adherence to the issue of prescription and laches by ALI should not be countenanced. It declared that the doctrine that registration done fraudulently is no registration at all prevails over the rules on equity. With respect to the Diaz case, the CA held that Spouses Diaz had no obligation to inform CPJ Corporation and its successors about their registration because the original titles of the latter, from which their transferred titles were derived, were based on fraudulent surveys.

Undeterred, ALI filed a second motion for reconsideration.

In its assailed June 19, 2006 decision, the CA granted the second motion for reconsideration in favor of ALI. It reversed and set aside its February 8, 2005 decision and reinstated its February 28, 2003 decision. The CA held that *Guico v. San Pedro* did not categorically declare that Psu-80886 was invalid and it even awarded some of the lots to the applicant; and that the certification of DENR-LMB and the memorandum of the Assistant Director of the DENR could not be considered by the courts because these were not properly presented in evidence.

The CA reiterated its ruling that Spouses Yu could no longer question the validity of the registrations of OCT Nos. 242, 244, and 1609 because the one-year reglementary period from the time of registration had already expired and these titles were entitled to the presumption of regularity. Thus, once a decree of registration was made under the Torrens system, and the reglementary period had lapsed, the title was perfected and could not be collaterally attacked. The CA also stressed that the noted discrepancies in Psu-80886 and Psu-47035 were immaterial to assail the validity of OCT Nos. 242, 244 and 1609, which were registered earlier than OCT No. 8510.

Hence, these petitions, anchored on the following

ISSUES

I

WHETHER THE COMPLAINT OF SPOUSES YU IS BARRED BY PRESCRIPTION