

## SECOND DIVISION

[ G.R. No. 170671, August 19, 2015 ]

**FILADELFA T. LAUSA, LORETA T. TORRES, PRIMITIVO TUGOT AND ANACLETO T. CADUHAY, PETITIONERS, VS. MAURICIA QUILATON, RODRIGO Q. TUGOT, PURIFICACION T. CODILLA, TEOFRA T. SADAYA, ESTRELLITA T. GALEOS AND ROSITA T. LOPEZ, RESPONDENTS.**

### DECISION

**BRION, J.:**

Before us is a Petition for review on *certiorari* assailing the Court of Appeals (CA) Decision in CA-G.R. CV No. 63248. The CA reversed the decision of the Regional Trial Court (RTC) of Cebu City, Branch 15 in Civil Case No. CEB - 17857, and upheld the validity of Transfer Certificate Title (TCT) No. 571.

#### ***Factual Antecedents***

The main issue in the present case involves the title to Lot No. 557, a parcel of land situated in V. Ranudo and D. Jakosalem Streets, Cogon Central, Cebu City.

The petitioners and the respondents are relatives residing in Lot No. 557.

Petitioners Filadelfa T. Lausa, Loreta T. Torres, Primitivo Tugot, and Anacleto T. Caduhay are the cousins of respondents Rodrigo Tugot, Purificacion Codilla, Teofra Sadaya, and Estrellita Galeos; while Mauricia Quilaton is the respondents' mother and the petitioners' aunt-in-law.

The respondent Rosita T. Lopez, on the other hand, acquired the rights of Rodrigo when he mortgaged Lot No. 557-A, a portion of Lot No. 557, to her. Rodrigo subsequently defaulted on his loan.

The petitioners and respondents, with the exception of Mauricia and Rosita, are all grandchildren of Alejandro Tugot. Alejandro had possessed Lot No. 557 since September 13, 1915, after it was assigned to him by Martin Antonio.

Lot No. 557 formed part of the Banilad Friar Estate Lands, which had been bought by the government through Act No. 1120 for distribution to its occupants. Antonio had initially been Lot No. 557's beneficiary, but subsequently assigned his rights over Lot No. 557 to Alejandro.

Since then, Alejandro possessed Lot No. 557 until his death; thereafter, his children and grandchildren continued to reside in the lot. The present controversy arose when the respondents, claiming to be its registered owners, attempted to eject the petitioners from Lot No. 557.

On January 1993, Mauricia filed before the RTC of Cebu City Branch 17 a petition for the issuance of a new owner's duplicate of TCT No. 571, which purportedly covers Lot No. 557. Mauricia claimed to own TCT No. 571, but lost her owner's duplicate during a strong typhoon sometime in 1946. The RTC, after due hearing, granted Quilaton's petition and directed the issuance of a new owner's duplicate of TCT No. 571.

On September 27, 1994, Mauricia donated Lot No. 557 to her children Rodrigo, Purificacion, Teofra and Estrellita. Thus, TCT No. 571 was cancelled, and re-issued as TCT Nos. 130517, 130518, 130519, 130520 and 130521 in the names of Mauricia's children.<sup>[1]</sup>

Mauricia's children subsequently performed several acts of ownership over Lot 571: **first**, Rodrigo, on March 23, 1995, mortgaged TCT No. 130517 to Lopez as security for a loan he obtained from the latter. Rodrigo subsequently defaulted on his loan, prompting the foreclosure of TCT No. 130517. The land covered by TCT No. 130517 was thereafter sold by public auction to Lopez, for which she was issued TCT No. 143511 on March 31, 1997.

**Second**, Mauricia's children filed a complaint for ejectment against the petitioners, docketed as Civil Case No. R-35137, on August 4, 1995.

In response, the petitioners filed Civil Case No. CEB-17857 for the annulment of TCT No. 571 and the subsequent titles that originate from TCT No. 571, as well as criminal complaints<sup>[2]</sup> for falsification and perjury against the respondents.

### ***The Regional Trial Court's ruling***

The RTC found TCT No. 571 to be a forgery, and declared it and all titles originating from it to be null and void *ab initio*. The RTC gave the following reasons as basis for this conclusion:

**First**, the RTC noted several discrepancies in TCT No. 571 indicating that it is a forgery, viz.:

- (i) The TCTs issued before and after TCT No. 571, that is, TCT No. 570 and TCT No. 572, both use a different and more recent form than TCT No. 571, TCT Nos. 570 and 572 use Judicial Form No. 109, which was issued in June 1945, while TCT No. 571 uses Judicial Form No. 140-D, which was issued in April 1936.
- (ii) TCT Nos. 570 and 572 was signed by Martina L. Arnoco as Register of Deeds, while TCT No. 571 was signed by Gervasio Lavilles as Acting Register of Deeds.
- (iii) There are distinct differences in Lavilles' signature as it appears in TCT No. 571 from his signatures in other TCTs, such as TCT Nos. 525 and 526.

**Second**, Mauricia's previous acts show that she acknowledged Alejandro's ownership over Lot No. 557. Prior to instituting a petition for issuance of a new owner's duplicate in 1993, Mauricia had been paying Alejandro (and subsequently Aurea) contributions for the real estate taxes due on Lot No. 557.

**Third,** Mauricia exercised acts of full ownership over Lot No. 557 only in 1994, after she had filed a petition for the issuance of a new owner's duplicate, even as she claimed to have owned the lot since 1946.

**Fourth,** Mauricia failed to present evidence showing how she acquired title to Lot No. 557. If indeed the land was purchased from Martin Antonio, she could have secured a copy of its document of sale from the Archives Office, Manila.

Additionally, the RTC held that the petitioners had better title to Lot No. 557 than the respondents. The RTC found that Lot No. 557 had been in the possession of Alejandro since September 13, 1915, when the lot's owner, Martin Antonio, executed a Deed of Assignment in favor of Alejandro. This conveyance, together with Alejandro and his heirs' continuous payment of Lot No. 557's real estate taxes since 1928, amounts to more than thirty years of adverse possession, so that ownership over the lot vested in him.

As Alejandro's heirs, both the petitioners and respondents are entitled to a share in Lot No. 557.

**Lastly,** the RTC declared Lopez's TCT No. 143511, which she acquired when she purchased TCT No. 130517, to be null and void. TCT No. 130517 covers Lot No. 557-A, and had been annotated with a Notice of *Lis Pendens* at the time Lopez purchased it. Thus, Lopez had knowledge of the dispute over the ownership of the lot she bought, and could not claim the defense of a purchaser in good faith. She acquired no greater title to the lot than Rodrigo, who mortgaged TCT No. 130517.

The respondents filed a motion for reconsideration contesting the RTC's decision. After the RTC denial of the motion, the respondents appealed to the CA.

### ***The Court of Appeals' ruling***

The CA reversed the RTC's decision, and upheld the validity of TCT No. 571 and all the titles originating from it.

In upholding the validity of TCT No. 571 (and all the titles originating from it), the CA emphasized the existence of a copy of TCT No. 571 in the custody of the Office of the Register of Deeds of Cebu City, and noted that it is presumed by law to have been issued in a regular manner. The application of this presumption is called for by the purpose of the Torrens system, which is to promote the stability and integrity of land titles.

According to the CA, the petitioners have failed to disprove this presumption of regularity. The pieces of evidence that the petitioners presented (*i.e.*, the tax receipts and Antonio's Deed of Assignment of Lot No. 557 to Alejandro) do not prove with clear, positive, and convincing evidence that TCT No. 571 had been fraudulently issued. The payment of real estate taxes over Lot No. 557 does not prove ownership. The Deed of Assignment, on the other hand, had been subsequently cancelled, as shown by the Friar Lands Sale Certificate Register on file with the DENR. It proves that the lot had been earlier assigned to Alejandro, but because the assignment was canceled, the ownership of Lot No. 557 remained with Antonio.

The CA also noted that the lot that Alejandro appears to have owned was not Lot No. 557 but Lot No. 357. The description of Lot No. 557 - as set forth by the petitioners in their original complaint - substantially varies from the actual and precise technical description of Lot No. 557. Additionally, some of the documentary evidence in the case (such as tax declarations, tax receipts and notices of tax delinquency) show that what Alejandro owned was Lot No. 357, not Lot No. 557.

The CA also pointed out that Alejandro could not have acquired Lot 557 through acquisitive prescription for two reasons: **first**, Mauricia had been in possession of the property since 1946; and **second**, a lot registered under the Torrens system cannot be acquired through acquisitive prescription. Records show that the lands comprising the Banilad Friar Lands Estate, of which Lot No. 557 was a part, had been brought under the operation of the Torrens system on September 23, 1913.

The CA found Lopez to be an innocent purchaser for value. Applying the Court's ruling in *Bank of the Philippine Islands v. Noblejas*, the CA held that Lopez's good faith as a mortgagee extends to her eventual purchase of the lot during its foreclosure. Since TCT No. 130517 had no notice of any adverse claim at the time it was mortgaged to Lopez, then the subsequent annotation of Notice of *Lis Pendens* prior to TCT No. 130517's foreclosure should not affect her status as a mortgagee-in-good-faith. The clean title presented to Lopez at the time TCT No. 130517 was mortgaged to her maintains this status at the time of its foreclosure, and cannot be prejudiced by the subsequent annotation of a claim to it before the lot is foreclosed.

Lastly, the CA found that the RTC erred when it did not immediately dismiss the petitioners' complaint, as their cause of action had been barred by prescription and laches. An action for the annulment of title to land prescribes in ten years. The petitioners filed their complaint only on September 20, 1995, almost fifty years after Mauricia had been issued TCT No. 571 on July 16, 1946. Thus, the petitioners had slept on their claimed right over Lot 557; consequently, they are now barred by laches from seeking redress before the courts.

The petitioners filed a motion for reconsideration assailing the CA's decision, which motion the CA denied. The denial opened the way for the present petition for review on *certiorari* before this Court.

### ***The present petition***

In their present petition, the petitioners seek the reversal of the CA's decision through their assertion that they have acquired ownership over Lot No. 557 by acquisitive prescription.

The petitioners claim that the CA committed the following errors:

**First**, the CA erred in upholding the validity of TCT No. 571, which is a fake and fabricated title.

**Second**, the CA erred in finding that Mauricia owned and possessed Lot No. 557, as it was Alejandro who exercised acts of exclusive ownership and possession over the lot since it was assigned to him in 1915. The lot Antonio assigned to Alejandro covered Lot No. 557, although earlier tax declarations indicated the areas of the lot to be Lot No. 357. This error was corrected in subsequent tax declarations by the

City of Cebu Assessor's Office in 1997.

**Third**, the CA erred in holding that Lopez is an innocent purchaser in good faith, as she knew that the portion of Lot No. 557 being mortgaged to her was in the possession of Filadelfa, and not Rodrigo. She knew of this possession before she executed the real estate mortgage contract over the property with Rodrigo.

**Fourth**, the CA erred in finding the petitioners' cause of action barred by prescription and laches, as they discovered the existence of TCT No. 571 only in August 1995, when Mauricia and her children instituted ejectment proceedings against them.

In response, the respondents argue that the petitioners have no cause of action against them because Alejandro's tax declarations cover Lot No. 357, and not Lot No. 557, which is covered by their TCTs. They also cited the CA's decision, and argued that the CA committed no error of law in upholding the validity of their TCTs.

Lopez, on the other hand, asserted that her status as an innocent purchaser or mortgagor in good faith had not been included in the petitioners' amended complaint including her as an indispensable party, and should thus not have been considered as an issue in the case. In any case, Lopez asserts that her title to Lot No. 557-A is valid because she is an innocent purchaser in good faith.

### **Issues:**

The issues, having been properly joined, present to us the following questions:

- (1) Whether the CA erred in finding that the lot that the petitioners claim to own covers Lot No. 357, and not Lot No. 557;
- (2) Whether the CA erred in finding that the respondents, and not the petitioners, are the owners and possessors of Lot No. 557;
- (3) Whether the CA erred in finding Lopez an innocent purchaser in good faith; and
- (4) Whether the CA erred in finding the petitioners' cause of action to have been barred by prescription and laches.

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

We find the petition meritorious.

We note at the outset that the Court is not a trier of facts, and our jurisdiction in cases brought before us from the appellate court is limited to the review of errors of law.

We have, however, recognized several exceptional situations that call for a re-evaluation of the CA's factual conclusions, among them, the situation when the CA's findings are contrary to that of the trial court, and when the CA manifestly overlooks relevant facts not disputed by the parties and which, if properly considered, would lead to a different conclusion.<sup>[3]</sup>

We find these circumstances in the present case, prompting us to re-examine the records of the case and to reverse the CA's decision after due consideration of the