

SECOND DIVISION

[G.R. No. 192450, July 23, 2012]

**SANTIAGO V. SOQUILLO, PETITIONER, VS. JORGE P. TORTOLA,
RESPONDENT.**

D E C I S I O N

REYES, J.:

Antecedent Facts

On March 28, 1966, Lorenzo Coloso, Jr. (Coloso, Jr.) sold to Ramon Jamis (Jamis) a 1,192 square meter parcel of land (disputed property) situated in Alubijid, Misamis Oriental. A notarized deed of conditional sale of an unregistered land was thus executed.

As indicated in a notarized deed of definite sale dated March 29, 1966, Jamis thereafter sold the disputed property to herein respondent Jorge P. Tortola (Tortola).

Tortola took possession of the disputed property, planted it with fruit-bearing trees, and built a residential lot thereon. He also paid the realty taxes due from the said property corresponding to the years 1975 to 2002. However, the receipts for the payments still stated Coloso, Jr.'s name, with the exception of Tax Declaration Nos. 942443, indicating "Lorenzo Coloso, Jr. c/o Mr. Tortola" and 026083, bearing the name of "Jorge Tortola".^[1]

In 1977, Tortola and his family moved to Bukidnon. He left Godofredo Villaflores (Villaflores) as his agent and caretaker of the disputed property.

Tortola received from Atty. Rene Artemio Pacana (Atty. Pacana) a letter dated March 1, 1988 informing the former that Arthur Coloso (Coloso) and the other heirs of Coloso, Jr. had sought his legal services to recover the disputed property. Atty. Pacana requested from Tortola an explanation as to how the latter acquired the disputed property. In a reply letter dated March 14, 1988 sent to Atty. Pacana, Tortola attached a copy of the notarized deed of definite sale executed between the latter and Jamis.

In 1992, Atty. Pacana once again sent a letter reiterating his prior inquiries and demanding for documents to prove that Coloso, Jr. disposed the disputed property in Tortola's favor. Tortola reminded Atty. Pacana of his reply letter in 1988 and again enclosed copies of the notarized deeds of conditional and definite sale executed in 1966.

On September 21, 1993, Coloso and the other heirs of Coloso, Jr. filed an application for free patent with the Office of the Community Environment and Natural Resources (CENRO) of Cagayan de Oro City to obtain a title over the disputed property.

On July 15, 1994, a survey of the disputed property was conducted. The land investigator reported that the heirs of Coloso, Jr. were in possession and were cultivating the disputed property, hence, he recommended to the CENRO the issuance of a free patent in their favor.

On December 14, 1994, Original Certificate of Title (OCT) No. P20825 covering the disputed property was issued in favor of the Heirs of Coloso, Jr.

On October 11, 2000, Coloso and the other heirs of Coloso, Jr. executed a notarized deed of absolute sale conveying the disputed property to herein petitioner Santiago V. Soquillo (Soquillo).

In 2001, Soquillo filed before the Municipal Trial Court (MTC) of Alubijid a complaint for illegal detainer against Villaflores and his wife. The complaint was docketed as Civil Case No. 245. Villaflores failed to file an answer thereto, hence, the case was decided in favor of Soquillo. Villaflores and his wife were ejected from the disputed property.

Tortola discovered Villaflores' ejectment from the disputed property. On September 16, 2002, Tortola filed before the Regional Trial Court (RTC), Branch 44, Initao, Misamis Oriental a complaint against Coloso, the Heirs of Coloso, Jr., Soquillo, and the MTC of Alubijid, Misamis Oriental for annulment of title/sale/judgment with prayers for the issuance of injunctive reliefs and award of damages. The complaint, origin of the instant petition, was docketed as Civil Case No. 2002-393.

The RTC Decision

On September 18, 2007, the RTC rendered a Decision^[2] disposing of the complaint as follows:

- (a) Tortola was declared as the owner and legal possessor of the disputed property.
- (b) The deed of sale executed on October 11, 2000 between Coloso and Soquillo was ordered annulled.
- (c) The Register of Deeds (RD) of Misamis Oriental was ordered to annul and cancel OCT No. P-20825 in the names of the heirs of Coloso, Jr. and to issue a transfer certificate of title in Tortola's favor.
- (d) The decision of the MTC in Civil Case No. 245 was annulled and set aside.
- (e) The defendants in the complaint, among whom was herein petitioner Soquillo, were ordered to pay Tortola P50,000.00 as moral damages, P10,000.00 as exemplary damages and P20,000.00 as attorney's fees.^[3]

The RTC ratiocinated that:

[I]t can be established that [Tortola] acquired a right over the subject parcel of land under a Deed of Definite Sale dated March 29, 1966, which

was registered on September 5, 2002 in the Registry of Deeds, and by the cancellation of Tax Declaration No. 023086 by Tax Declaration No. 026083 in the name of Jorge Tortola.

Registration of the instrument in the Office of the Register of Deeds constitute[s] constructive notice to the parties of the transfer of ownership over the subject property.

[Tortola] occupied the said property and constructed his house and resided thereon until he left for Maramag, Bukidnon sometime in the late 1960's, leaving the occupation of the said property to Spouses Villaflores, with his permission, continuously until 2002.

The ownership and possession of the land was admitted and acknowledged by the herein defendants Heirs of Coloso[,Jr.] in their letters to [Tortola]. Likewise, defendant Soquillo, admitted the actual occupation of the land by Spouses Villaflores by the fact of his filing a civil action against them in court.

x x x Under the law, if the property has not yet passed to an innocent purchaser for value, an action for reconveyance is still available. Defendant Soquillo cannot be considered as an innocent purchaser for value or that he acquired the subject property through mistake and fraud. He can only be considered a trustee by implication, for the benefit of [Tortola], who is the true and lawful owner of the litigated land, pursuant to Article 1456 of the New Civil Code.

Defendants assert laches as a defense. Laches cannot prejudice the lawful right of [Tortola] in its ownership and possession of the subject litigated property. There was no failure or neglect on the part of [Tortola] in asserting his rights after knowing defendant's (sic) conduct, evidenced by all the letters sent to the defendants resulting to their knowledge of the actual ownership and occupation of the subject land. [Tortola] is not negligent and has not omitted to assert his right and/or abandoned or declined to assert his rights, proof of such is the filing of the instant complaint.

The principle of indefeasibility of title does not apply where fraud attended the issuance of title, as in this case. The settled rule is that a free patent issued over a private land, which in this case the subject litigated land belonged to plaintiff-Tortola, is null and void, and produces no legal effects whatsoever (Heirs of Simplicio Santiago vs. Heirs of Mariano E. Santiago, 404 SCRA 193).

[Tortola] was compelled to litigate to protect his interests and vindicate his rights.

The issuance of Original Certificate of Title No. P-20825 lacks the required publication, notice, survey, certification and other mandatory

requirements, under the law, which legally allows such title to be cancelled and transferred to the legal owner, [Tortola], because there could have been no notice of the application that can be issued or posted on September 20, 1993 because the application was filed and received by the CENRO only on September 21, 1993.

Defendant Soquillo purchased the land from the Heirs of Coloso[, Jr.] in spite of his knowledge that the land is owned by [Tortola] and that the Heirs of Coloso[, Jr.] were not in actual possession of the subject land, which land was actually occupied, at that time, by the Spouses Villaflores, the lessee[s] of [Tortola]. Such knowledge of an unregistered sale is equivalent to registration. Further, the deed of sale in favor of Soquillo was not registered with the Register of Deeds of Misamis Oriental until today.

x x x

x x x Such proof of ownership and possession of [Tortola] is corroborated by the testimony and certification of the former Barangay

Captain of Lourdes, Alubijid, Misamis Oriental, attesting to the truth that [Tortola] is the actual occupant of the litigated land and such occupancy was never questioned, disturbed, contested or molested until October 18, 2001, where his agents Spouses Villaflores was (sic) summoned and later on, made the defendants in an illegal detainer case before the court.^[4]
(Citations omitted)

Soquillo filed before the Court of Appeals (CA) an appeal to the foregoing. He argued that the RTC erred in not finding that Tortola's complaint stated no cause of action. He alleged that since Tortola sought the cancellation of a free patent, not him but the State, was the real party-in interest. Soquillo likewise averred that he was a purchaser in good faith and for value, thus, the RTC's order to reconvey the disputed property and award damages in Tortola's favor was improper.

The CA Decision

On April 23, 2010, the CA rendered a Decision^[5] denying Soquillo's appeal. The CA declared:

The defense that the Complaint below failed to state a cause of action must be raised at the earliest possible time. In fact, it can be raised as a ground for Motion to Dismiss under Rule 16 of the Revised Rules of Civil Procedure. Here, [Soquillo], as shown by the records of the case, neither raised such issue in their Answer nor filed a Motion to Dismiss raising such issue.

x x x x

x x x [Soquillo] cannot be considered a purchaser in good faith and for value because defendant Arthur Coloso as Attorney-in-fact of the heirs of

Lorenzo Boy Coloso did not have the right to sell the disputed land to the former.

x x x x

x x x [D]efendant Arthur Coloso had prior knowledge that the disputed land was already occupied by Mr. Villaflores, as agent of [Tortola]. However, despite such knowledge, defendant Arthur Coloso as representative of the heirs of Lorenzo Boy Coloso, Jr., filed an Application for Free Patent, and falsely declared therein that they occupied and cultivated the disputed land since 1985. By reason of such application and false declarations, the defendants were issued an Original Certificate of Title No. P-20825.

Such false declarations in the Application, however, constituted concealment of material facts, which amounted to fraud. This, therefore, inevitably resulted to the cancellation of title, as is pursuant to ***Heirs of Carlos Alcaraz vs. Republic of the Philippines, et al.***, where the Supreme Court stated:

"x x x x

Doubtless, petitioner's (sic) failure to state in their free patent application that private respondents, as representatives of the heirs of Timotea and Igmedio, are also in possession of the land subject thereof clearly constitutes a concealment of a material fact amounting to fraud and misrepresentation within the context of the aforequoted provision, sufficient enough to cause ipso facto the cancellation of their patent and title. For sure, had only petitioners made such a disclosure, the Director of Lands would have had second thoughts in directing the issuance of petitioners' patent and title.

x x x x"

Consequently, contrary to [Soquillo's] contention, the principle of indefeasibility of title cannot be invoked in this case. Public policy demands that one who obtains title to a public land through fraud should not be allowed to benefit therefrom.

x x x x

Furthermore, defendant-appellant Santiago Soquillo cannot be considered as purchaser in good faith and for value. The fact that defendants Heirs of Lorenzo Boy Coloso, Jr. were not in possession of the disputed land should have impelled him to go beyond the title, as is in harmony with the Supreme Court's pronouncement in ***Eagle Realty Corporation vs. Republic of the Philippines, et al.***, which reads: