

## FIRST DIVISION

[ G.R. No. 175485, July 27, 2011 ]

**CASIMIRO DEVELOPMENT CORPORATION, PETITIONER, VS.  
RENATO L. MATEO, RESPONDENT.**

### DECISION

**BERSAMIN, J.:**

The focus of this appeal is the faith that should be accorded to the Torrens title that the seller holds at the time of the sale.

In its decision promulgated on August 31, 2006, <sup>[1]</sup> the Court of Appeals (CA) declared that the respondent and his three brothers were the rightful owners of the land *in litis*, and directed the Office of the Register of Deeds of Las Piñas City to cancel the transfer certificate of title (TCT) registered under the name of petitioner Casimiro Development Corporation (CDC) and to issue in its place another TCT in favor of the respondent and his three brothers. Thereby, the CA reversed the judgment of the Regional Trial Court (RTC) rendered on May 9, 2000 (dismissing the respondent's complaint for quieting of title and reconveyance upon a finding that CDC had been a buyer in good faith of the land *in litis* and that the respondent's suit had already been time-barred).

Aggrieved, CDC brought its petition for review on *certiorari*.

### Antecedents

The subject of this case is a registered parcel of land (property) with an area of 6,693 square meters, more or less, located in Barrio Pulang Lupa, Las Piñas City, that was originally owned by Isaias Lara, <sup>[2]</sup> the respondent's maternal grandfather. Upon the death of Isaias Lara in 1930, the property passed on to his children, namely: Miguela, Perfecta and Felicidad, and a grandson, Rosauro (son of Perfecta who had predeceased Isaias in 1920). In 1962, the co-heirs effected the transfer of the full and exclusive ownership to Felicidad (whose married surname was Lara-Mateo) under an agreement denominated as *Pagaayos Na Gawa Sa Labas Ng Hukuman*.

Felicidad Lara-Mateo had five children, namely: Laura, respondent Renato, Cesar, Candido, Jr. and Leonardo. With the agreement of the entire Lara-Mateo family, a *deed of sale* covering the property was executed in favor of Laura, who, in 1967, applied for land registration. After the application was granted, Original Certificate of Title (OCT) No. 6386 was issued in Laura's sole name.

In due course, the property now covered by OCT No. 6386 was used as collateral to secure a succession of loans. The first loan was obtained from Bacoor Rural Bank (Bacoor Bank). To repay the loan to Bacoor Bank and secure the release of the

mortgage, Laura borrowed funds from Parmenas Perez (Perez), who, however, required that the title be meanwhile transferred to his name. Thus, OCT No. 6386 was cancelled and Transfer Certificate of Title (TCT) No. 438959 was issued in the name of Perez. Subsequently, Laura recovered the property by repaying the obligation with the proceeds of another loan obtained from Rodolfo Pe (Pe), resulting in the cancellation of TCT No. 438595, and in the issuance of TCT No. S-91595 in Laura's name. She later executed a *deed of sale* in favor of Pe, leading to the issuance of TCT No. S-91738 in the name of Pe, who in turn constituted a mortgage on the property in favor of China Banking Corporation (China Bank) as security for a loan. In the end, China Bank foreclosed the mortgage, and consolidated its ownership of the property in 1985 after Pe failed to redeem. Thus, TCT No. (99527) T-11749-A was issued in the name of China Bank.

In 1988, CDC and China Bank negotiated and eventually came to terms on the purchase of the property, with China Bank executing a *deed of conditional sale* for the purpose. On March 4, 1993, CDC and China Bank executed a *deed of absolute sale* over the property. Resultantly, on March 29, 1993, CDC was issued TCT No. T-34640 in its own name.

In the meanwhile, on February 28, 1991, Felicidad died intestate.

On June 6, 1991, CDC brought an action for unlawful detainer in the Metropolitan Trial Court (MeTC) in Las Piñas City against the respondent's siblings, namely: Cesar, Candido, Jr., and Leonardo, and the other occupants of the property. Therein, the defendants maintained that the MeTC did not have jurisdiction over the action because the land was classified as agricultural; that the jurisdiction belonged to the Department of Agrarian Reform Adjudication Board (DARAB); that they had been in continuous and open possession of the land even before World War II and had presumed themselves entitled to a government grant of the land; and that CDC's title was invalid, considering that the land had been registered before its being declared alienable. [3]

On October 19, 1992, the MeTC ruled in favor of CDC, *viz*:

The Court, after careful consideration of the facts and the laws applicable to this case[,] hereby resolves:

1. On the issue of jurisdiction.

The defendants alleged that the land in question is an agricultural land by presenting a Tax Declaration Certificate classifying the land as "FISHPOND." The classification of the land in a tax declaration certificate as a "fishpond" merely refers to the use of the land in question for the purpose of real property taxation. This alone would not be sufficient to bring the land in question under the operation of the Comprehensive Agrarian Reform Law.

2. On the issue of open and adverse possession by the defendants.

It should be noted that the subject land is covered by a Transfer Certificate of Title in the name of plaintiffs' predecessor-in-interest China

Banking Corporation. Certificates of Title under the Torrens System is indefeasible and imprescriptible. As between two persons claiming possession, one having a [T]orrens title and the other has none, the former has a better right.

3. On the issue of the nullity of the Certificate of Title.

The defense of the defendants that the subject property was a forest land when the same was originally registered in 1967 and hence, the registration is void[,] is not for this Court to decide[,] for lack of jurisdiction. The certificate of title over the property must be respected by this Court until it has been nullified by a competent Court.

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff[,] ordering the defendants

1.[sic] and all persons claiming right[s] under it to vacate the subject premises located at Pulang Lupa I, Las Piñas, Metro Manila and surrender the possession of the same to herein plaintiff;

2. to pay the plaintiff reasonable compensation for the use and occupation of the subject premises hereby fixed at (P100.00) one hundred pesos a month starting November 22, 1990 (the time when the demand letter to vacate was given) until defendants actually vacate the property;

No pronouncement as to costs and attorney's fees.

SO ORDERED. [4]

The decision of the MeTC was assailed in the RTC *via* petition for *certiorari* and prohibition. The RTC resolved against CDC, and held that the MeTC had acted without jurisdiction because the land, being a fishpond, was agricultural; hence, the dispute was within the exclusive jurisdiction of the DARAB pursuant to Republic Act No. 6657 (*Comprehensive Agrarian Reform Law of 1988*). [5]

CDC appealed to the CA, which, on January 25, 1996, found in favor of CDC, declaring that the MeTC had jurisdiction. As a result, the CA reinstated the decision of the MeTC. [6]

On appeal (G.R. No. 128392), the Court affirmed the CA's decision in favor of CDC, ruling thusly:

WHEREFORE, the petition is DENIED and the Court of Appeals' Decision and Resolution in CA- G.R. SP No. 34039, dated January 25, 1996 and February 21, 1997 respectively, are AFFIRMED. No costs.

SO ORDERED. [7]

The decision in G.R. No. 128392 became final.

Nonetheless, on June 29, 1994, the respondent brought an action for quieting of title, reconveyance of four-fifths of the land, and damages against CDC and Laura in the RTC in Las Piñas City entitled *Renato L. Mateo v. Casimiro Development Corporation and Laura Mateo de Castro*. In paragraph 4 of his complaint, he stated that he was "bringing this action to quiet title on behalf of himself and of his three (3) brothers - Cesar, Leonardo, and Candido, Jr., all surnamed MATEO - in his capacity as one of the co-owners of a parcel of land situated at Barrio Pulang Lupa, Municipality of Las Piñas, Metro Manila."

On May 9, 2001, the RTC held in favor of CDC, disposing:

WHEREFORE, and by strong preponderance of evidence, judgment is hereby rendered in favor of the defendant Casimiro Development Corporation and against the plaintiff Renato L. Mateo by (1) Dismissing the complaint, and upholding the validity and indefeasibility of Transfer Certificate of Title No. T-34640 in the name of Casimiro Development Corporation; (2) Ordering the plaintiff Renato Mateo to pay defendant Casimiro Development Corporation the sum of [a] P200,000.00 as compensatory damages; [b] P200,000.00 as attorney's fees; and [c] to pay the costs.

SO ORDERED. [8]

On appeal (C.A.-G.R. CV No. 71696), the CA promulgated its decision on August 31, 2006, reversing the RTC and declaring CDC to be not a buyer in good faith due to its being charged with notice of the defects and flaws of the title at the time it acquired the property from China Bank, and decreeing:

WHEREFORE, the Decision dated May 9, 2001 of Branch 225, Regional Trial Court, Las Piñas City in Civil Case No. 94-2045 is hereby *REVERSED* and *SET ASIDE* and a new one rendered:

(1) Declaring appellant Renato Mateo and his brothers and co-owners Cesar, Candido, Jr., and Leonardo, all surnamed Mateo as well as his sister, Laura Mateo de Castro as the rightful owners of the parcel of land, subject of this case; and

(2) Ordering the Register of Deeds of Las Piñas City, Metro-Manila to cancel Transfer Certificate of Title No. T-34640 under the name of appellee Casimiro Development Corporation, and that a new one be issued in favor of the appellant and his co-heirs and siblings, mentioned above as co-owners *pro indiviso* of the said parcel.

(3) No pronouncement as to cost.

SO ORDERED. [9]

The CA denied CDC's motion for reconsideration.

Hence, this appeal, in which CDC urges that the CA committed serious errors of law, [10] as follows:

(A) xxx in failing to rule that the decree of registration over the Subject Property is incontrovertible and no longer open to review or attack after the lapse of one (1) year from entry of such decree of registration in favor of Laura Mateo de Castro.

(B) xxx in failing to rule that the present action is likewise barred by *res judicata*.

(C) xxx in failing to rule that the instant action for quieting of title and reconveyance under PD No. 1529 cannot prosper because the Subject Property had already been conveyed and transferred to third parties who claimed adverse title for themselves.

(D) xxx in failing to rule that the action of respondent for "quieting of title, reconveyance and damages" is barred by laches.

(E) xxx in ruling that the Subject Property must be reconveyed to respondent because petitioner Casimiro Development Corporation is not a "purchaser in good faith."

CDC argues that it was a buyer in good faith; and that the CA did not rule on matters that fortified its title in the property, namely: (a) the incontrovertibility of the title of Laura; (b) the action being barred by laches and *res judicata*; and (c) the property having been conveyed to third parties who had then claimed adverse title.

The respondent counters that CDC acquired the property from China Bank in bad faith, because it had actual knowledge of the possession of the property by the respondent and his siblings; that CDC did not actually accept delivery of the possession of the property from China Bank; and that CDC ignored the failure of China Bank to warrant its title.

### **Ruling**

We grant the petition.

#### **1.**

#### **Indefeasibility of title in the name of Laura**

As basis for recovering the possession of the property, the respondent has assailed the title of Laura.

We cannot sustain the respondent.

There is no doubt that the land in question, although once a part of the public domain, has already been placed under the Torrens system of land registration. The