

FIRST DIVISION

[G.R. NO. 142938, August 28, 2007]

MIGUEL INGUSAN, PETITIONER, VS. HEIRS OF AURELIANO I. REYES, REPRESENTED BY CORAZON REYES-REGUYAL AND ARTEMIO S. REYES,* RESPONDENTS.

D E C I S I O N

CORONA, J.:

This is a petition for review on certiorari^[1] of a decision^[2] and resolution^[3] of the Court of Appeals (CA) dated January 21, 2000 and April 10, 2000, respectively, in CA-G.R. CV No. 56105 which modified the decision^[4] dated April 17, 1997^[5] of the Regional Trial Court (RTC) of Cabanatuan City, Nueva Ecija, Branch 25 in Civil Case No. 2145-A1.

This case involves a 1,254 sq. m. residential land located in Poblacion, San Leonardo, Nueva Ecija^[6] originally owned by Leocadio Ingusan who was unmarried and childless when he died in 1932. His heirs were his two brothers and a sister, namely, Antonio, Macaria and Juan.^[7] Antonio died and was succeeded by his son Ignacio who also later died and was succeeded by his son, petitioner Miguel Ingusan.^[8] Macaria also died and was succeeded by her child, Aureliano I. Reyes, Sr. (father of respondents Artemio Reyes, Corazon Reyes-Reguyal, Elsa Reyes, Estrella Reyes-Razon, Aureliano Reyes, Jr., Ester Reyes, Reynaldo Reyes and Leonardo Reyes).^[9] Thus, petitioner is the grandnephew of Leocadio and Aureliano, Sr. was the latter's nephew.^[10]

After the death of Leocadio, Aureliano, Sr. was designated by the heirs as administrator of the land.^[11] In 1972, while in possession of the land and in breach of trust, he applied for and was granted a free patent over it.^[12] As a result, he was issued OCT No. P-6176 in 1973.^[13]

In 1976, petitioner filed an *accion reivindicatoria against* Aureliano, Sr. and his wife Jacoba Solomon seeking the recovery of Lot 120-A with an area of 502 sq. m. which was part of the land at issue here.^[14] But the case was dismissed because petitioner did not pursue it.

Also in 1976, Aureliano, Sr. executed a special power of attorney (SPA) in favor of his son Artemio authorizing him to mortgage the land in question to any bank. Using that SPA, Artemio mortgaged the land to secure a loan of P10,000 from the Philippine National Bank (PNB).^[15]

In 1983, Aureliano, Sr. died intestate. He was survived by his children, the respondents.^[16]

In 1986, petitioner paid the PNB loan. The mortgage over the land was released and the owner's duplicate copy of OCT No. P-6176 was given to him.^[17]

On June 19, 1988, respondents and petitioner entered into a *Kasulatan ng Paghahati-hati Na May Bilihan* wherein they adjudicated unto themselves the land in question and then sold it to their co-heirs, as follows: (a) to petitioner, 1,171 sq. m. and (b) to respondent Estrella, 83 sq. m. This deed was notarized but not registered.^[18]

On January 8, 1990, respondent Corazon, despite signing the *Kasulatan*, executed an affidavit of loss, stating that she could not find the owner's duplicate copy of OCT No. P-6176. This was registered and annotated on the original copy of said title.^[19]

Subsequently, the following documents appeared purportedly with the following dates:

- a) April 23, 1994^[20] -notarized deed of donation of titled property supposedly executed by the spouses Aureliano, Sr. and Jacoba,^[21] whereby said spouses donated 297 sq. m. of the subject land to respondent Artemio and the remaining 957 sq. m. to petitioner;
- b) September 5, 1994 - cancellation of affidavit of loss supposedly executed by respondent Corazon stating that the annotation of the affidavit of loss on the title should be canceled and the petition for a new title was no longer necessary because she had already found the missing owner's duplicate copy of OCT No. P-6176;
- c) September 27, 1994 - agreement of subdivision with sale purportedly executed by respondent Artemio and petitioner, with the consent of their wives. Pursuant to this document, the land was subdivided into Lot 120-A with an area of 297 sq. m. corresponding to the share of Artemio and Lot 120-B with an area of 957 sq. m. which was the share of petitioner. The document also indicated that Artemio sold Lot 120-A to one Florentina Fernandez.^[22]

When respondent Corazon learned about the cancellation of the annotation of her affidavit of loss, she executed an affidavit of adverse claim on January 17, 1995 stating that the cancellation of affidavit of loss and the agreement of subdivision with sale were both spurious and the signatures appearing thereon were forgeries. This affidavit of adverse claim was not registered.^[23]

On April 17, 1995, petitioner brought the owner's duplicate copy of OCT No. P-6176, the cancellation of affidavit of loss, deed of donation of titled property and agreement of subdivision with sale to the Registry of Deeds for registration. Consequently, the following took place on that same day:

1. Corazon's annotated affidavit of loss was canceled;
2. by virtue of Aureliano, Sr. and Jacoba's deed of donation of titled property to Artemio and petitioner, OCT No. P-6176 was canceled

and in lieu thereof, TCT No. NT-241155 in the name of petitioner and TCT No. NT-241156 in the name of respondent Artemio were issued and

3. by virtue of the agreement of subdivision with sale, TCT Nos. NT-241155 and NT-241156 were canceled and TCT Nos. NT-239747 and NT-239748 were issued in the names of petitioner and Florentina Fernandez, respectively.^[24]

On June 27, 1995, petitioner took possession of his portion and built his house thereon.^[25]

On July 4, 1995, respondents filed an action for cancellation, annulment and surrender of titles with damages against petitioner and Florentina Fernandez in the RTC of Cabanatuan City, Nueva Ecija, Branch 25. In their complaint, they alleged the following, among others: they inherited the land in question from their father, Aureliano, Sr.; petitioner caused the preparation of the spurious deed of donation of titled property, cancellation of affidavit of loss, agreement of subdivision with sale and forged the signatures appearing thereon except his (petitioner's) own and, in conspiracy with Fernandez, fraudulently registered said documents which resulted in the cancellation of OCT No. P-6176 and the eventual issuance to them of TCT Nos. NT-239747 and NT-239748. They prayed that these titles be declared null and void and that petitioner and Fernandez be ordered to surrender the land and pay damages to them.^[26]

In his defense, petitioner alleged that respondents' father, Aureliano, Sr., fraudulently secured a free patent in his name over the land using a fictitious affidavit dated April 10, 1970 purportedly executed by Leocadio selling to him the land in question and, as a result, OCT No. P-6176 was issued to him; that it was respondent Artemio who proposed to petitioner the scheme of partition that would assure the latter of his share with the condition, however, that he (Artemio) would get a portion of 297 sq. m. (which included the share of respondent Estrella of 83 sq. m.) because he had already earlier sold it to Fernandez and in fact had already been partially paid P60,000 for it; that to implement this scheme, respondent Artemio caused the execution of several documents namely: (1) deed of donation of titled property; (2) agreement of subdivision with sale and (3) cancellation of affidavit of loss and that, thereafter, he instructed petitioner to present the said documents to the Registry of Deeds of Nueva Ecija for registration.^[27]

On October 26, 1995, respondents moved that Fernandez be dropped as defendant because she was no longer contesting their claim and in fact had surrendered to them her owner's duplicate copy of TCT No. NT-239748. Thus, she was excluded from the suit.^[28]

In a decision dated April 17, 1997, the RTC dismissed the case and declared OCT No. P-6176 as well as the subsequent certificates of title (TCT Nos. NT-239747 and NT-239748), the deed of donation of titled property, agreement of subdivision with sale and cancellation of affidavit of loss as null and void. It held that the aforementioned documents were spurious since the signatures were falsified by respondent Artemio.

Furthermore, having found that OCT No. P-6176 was issued on the basis of a document falsified by Aureliano, Sr., the RTC ordered the reversion of the land to its status before the OCT was issued.

Finally, it held that petitioner, being an innocent victim, was entitled to damages.^[29]

On appeal, the CA modified the RTC decision. It ruled that only TCT Nos. NT-241155, NT-241156, NT-239747 and NT-239748 were null and void. Their source, OCT No. P-6176, remained valid because it had already become indefeasible and could no longer be attacked collaterally. It also found that petitioner schemed with Artemio in defrauding their co-heirs and was therefore *in pari delicto*. Consequently, neither party was entitled to claim damages from the other.^[30] Petitioner's motion for reconsideration was denied.

Hence this petition raising the following issues:

- 1) whether OCT No. P-6176 was valid or invalid, and
- 2) whether or not petitioner is entitled to damages.

There is no doubt that the deed of donation of titled property, cancellation of affidavit of loss and agreement of subdivision with sale, being falsified documents, were null and void. It follows that TCT Nos. NT-241155, NT-241156, NT-239747 and NT-239748 which were issued by virtue of these spurious documents were likewise null and void. Neither side disputes these findings and conclusions.

The question is whether the source of these titles, OCT No. P-6176, was valid. Petitioner argues that it should be invalidated because it was issued based on a fictitious affidavit purportedly executed in 1970 by Leocadio (who died in 1932) wherein the latter supposedly sold the land to Aureliano, Sr. According to petitioner, Aureliano, Sr. used this to fraudulently and in breach of trust secure a free patent over the land in his name.

We agree with the CA that OCT No. P-6176 remains valid. The issue of the validity of title (e.g. whether or not it was issued fraudulently or in breach of trust) can only be assailed in an action expressly instituted for that purpose.^[31] A certificate of title cannot be attacked collaterally. Section 48 of PD 1529^[32] states:

SEC. 48. Certificate not subject to collateral attack. ¹ A certificate of title shall not be subject to collateral attack. It cannot be altered, modified, or canceled except in a direct proceeding in accordance with law.

The rationale behind the Torrens System is that the public should be able to rely on a registered title. The Torrens System was adopted in this country because it was believed to be the most effective measure to guarantee the integrity of land titles and to protect their indefeasibility once the claim of ownership is established and recognized. In *Fil-estate Management, Inc. v. Trono*,^[33] we explained:

It has been invariably stated that the real purpose of the Torrens System is to quiet title to land and to stop forever any question as to its legality. Once a title is registered, the owner may rest secure, without the

necessity of waiting in the portals of the court, or sitting on the "*mirador su casa*" to avoid the possibility of losing his land.^[34]

Petitioner merely invoked the invalidity of OCT No. P-6176 as an affirmative defense in his answer and prayed for the declaration of its nullity. Such a defense partook of the nature of a collateral attack against a certificate of title.^[35]

Moreover, OCT No. P-6176 which was registered under the Torrens System on the basis of a free patent became indefeasible and incontrovertible after the lapse of one year as provided in Section 32 of PD 1529:

Sec. 32. Review of decree of registration; Innocent purchaser for value. ¹
The decree of registration shall not be reopened or revised by reason of absence, minority, or other disability of any person adversely affected thereby, nor by any proceeding in any court for reversing judgment, subject, however, to the right of any person, including the government and the branches thereof, deprived of land or of any estate or interest therein by such adjudication or confirmation of title obtained by actual fraud, to file in the proper Court of First Instance a petition for reopening and review of the decree of registration not later than one year from and after the date of the entry of such decree of registration, but in no case shall such petition be entertained by the court where an innocent purchaser for value has acquired the land or an interest therein whose rights may be prejudiced. Whenever the phrase "innocent purchaser for value" or an equivalent phrase occurs in this Decree, it shall be deemed to include an innocent lessee, mortgagee, or other encumbrancer for value.

Upon the expiration of said period of one year, the decree of registration and the certificate of title issued shall become incontrovertible. Any person aggrieved by such decree of registration in any case may pursue his remedy by action for damages against the applicant or any other person responsible for the fraud. (Emphasis supplied)

Indeed, both the RTC and CA found that Aureliano, Sr. fraudulently and in breach of trust secured OCT No. P-6176 in his name. Unfortunately, petitioner chose not to pursue a direct proceeding to have this certificate of title annulled. In 1976, he filed an *accion reivindicatoria*^[36] against the spouses Aureliano, Sr. and Jacoba questioning the validity of OCT No. P-6176 and seeking to recover a portion of the land (specifically, Lot 120-A with an area of 502 sq. m.) but he voluntarily withdrew the case.^[37] Now, the title has undeniably become incontrovertible since it was issued in 1973 or more than 30 years ago.^[38]

We now proceed to the issue of whether petitioner is entitled to damages. The RTC held that he is entitled to moral damages (P50,000), exemplary damages (P30,000) and attorney's fees (P20,000) because he was not aware that the documents were falsified and he was merely instructed by respondent Artemio to have them registered. The CA shared the finding of the RTC that it was respondent Artemio who masterminded the preparation and use of the spurious documents.^[39] Nevertheless, it did not find petitioner an innocent victim who was merely dragged into litigation: