

FIRST DIVISION

[G.R. No. 105630, February 23, 2000]

REPUBLIC OF THE PHILIPPINES, PETITIONER, VS. ENRIQUE P. DE GUZMAN, SPOUSES RIO RIVERA AND CAROLINA R. DE GUZMAN, THE CITY REGISTER OF DEEDS OF GENERAL SANTOS CITY AND HOECHST PHILS., INC., RESPONDENTS.

RIO RIVERA AND CAROLINA DE GUZMAN, RESPONDENTS.

DECISION

PARDO, J.:

This is a petition for review assailing the decision of the Court of Appeals,^[1] reversing and setting aside that of the Regional Trial Court, Branch 22, General Santos City,^[2] and dismissing the complaint for reversion of lot 5249, Ts-217, situated at Dadiangas. General Santos City and cancellation of titles, for lack of merit.

The facts are as follows:

After public bidding held on March 18, 1950, the Board of Liquidators,^[3] awarded Lot 5249 Ts-217, a 450 square meter land situated in Dadiangas, General Santos City, to Eusebio Diones of Takurong, Bubon, Cotabato. On March 11, 1955, Eusebio Diono transferred his rights over the lot to Enrique P. de Guzman (de Guzman, for brevity) for P700.00, evidenced by an Agreement of Transfer of Right.^[4] On November 12, 1956, the Board of Liquidators cancelled the award previously given to Eusebio Diones.^[5]

From the time he purchased the lot, de Guzman did not occupy it. In 1963, Lucena Ong Ante, another claimant of Lot 5249 Ts-217, authorized Carmen Ty to occupy the land. Ong Ante paid the corresponding real estate taxes from 1963 until 1980. Carmen Ty remained the occupant of the land until this time.

On August 12, 1967, de Guzman filed with the Board of Liquidators, Miscellaneous Sales Application No. 00222-E,^[6] and submitted supporting documents.

On August 29, 1967, the Director of Lands ordered the award and issuance of a patent in favor of de Guzman.^[7] On September 5, 1967, the Department of Agriculture and Natural Resources approved and issued Miscellaneous Sales Patent No. 814 to de Guzman.^[8] On September 26, 1967, the Register of Deeds, General Santos, issued Original Certificate of Title No. P-29712 in the name of de Guzman.^[9]

Sometime in 1973, de Guzman sold the lot to his married daughter and her

husband, Carolina R. de Guzman and Rio Rivera for P5,000.00. The covering deed of sale could not be located^[10] and Rio Rivera admitted that his father-in-law Enrique P. de Guzman was not in occupation of the lot in question.^[11] On September 4, 1973, the Register of Deeds of General Santos City issued Transfer Certificate of Title No.T-7203 to spouses Rio Rivera and Carolina R. de Guzman.^[12] On March 21, 1974, Lucena Ong-Ante's adverse claim was annotated on the title of the lot.^[13]

Meanwhile, on February 13, 1974, spouses Rivera and Hoeschst, Phils., Inc., as mortgagor and mortgagee, respectively, executed a deed of real estate mortgage involving the lot. For failure to settle their obligation, on October 29, 1977, mortgagee Hoechst Phils., Inc., foreclosed on the mortgage and acquired the lot at the foreclosure sale. A certificate of sale was issued in favor of Hoechst Phils., Inc. However, for unknown reasons, the real estate mortgage and certificate of sale were not registered with the Register of Deeds. Thus, the transfer certificate of title remained in the name of spouses Rivera.

On January 14, 1981, petitioner Republic of the Philippines filed with the Court of First Instance, 16th Judicial District, General Santos City re-amended complaint^[14] for reversion of Lot 5249 Ts-217 and cancellation of titles against Enrique P. de Guzman, spouses Rio Rivera and Carolina R. de Guzman, the City Registrar of Deeds, General Santos City and Hoechst Phils., Inc.

In its re-amended complaint,^[15] petitioner Republic of the Philippines averred that Enrique P. de Guzman obtained Original Certificate of Title No. P-29712 through fraudulent means. Petitioner contended since Lot 5249 Ts-217 was awarded to Eusebio Diones, hence, Eusebio Diono had no right to execute a deed of transfer in favor of Enrique de Guzman. Petitioner maintained that the documents presented by de Guzman to support his miscellaneous sales application were either issued by fictitious persons who were not employees of the Board of Liquidators, or contained inconsistencies that cast doubt on their authenticity.

De Guzman was neither in actual possession of the land, nor made improvements thereto, as he alleged in his sales application. Actual possession of the land by the applicant and making improvements thereto were among the legal requirements to be complied with by an applicant. Thus, Miscellaneous Sales Patent No. 814 and Original Certificate of Title No. P-29712 issued to de Guzman pursuant thereto were null and void. Also, Transfer Certificate of Title No. T-2703 in the name of spouses Rivera was null and void for they were not innocent purchasers for value. Admittedly, they knew that their vendor de Guzman was not in possession of the lot. Petitioner asserted that Lot 5249 Ts-217 must be reverted back to the mass of public domain.

On July 9, 1987, the trial court rendered decision in favor of petitioner.^[16] It held that the supporting documents submitted by de Guzman were falsified, hence, OCT No. P-29712 issued in his name was obtained through fraudulent means. Furthermore, the fact that de Guzman was not in possession of the property disqualified him from being awarded the sales patent. The trial court ruled that Rio Rivera and Carolina R. de Guzman were not innocent purchasers for value since their close relationship with Enrique P. de Guzman put them on notice of knowledge of a defect in the acquisition of title to the land. The trial court ordered the reversion

of the land to the mass of public domain.

The dispositive portion decreed as follows:

"WHEREFORE, IN VIEW OF ALL THE FOREGOING, plaintiff having preponderantly proven the allegations of the complaint, judgment is hereby rendered:

- "1. Declaring the Miscellaneous Sales Patent No. 814 and OCT No. P-29712 in the name of Enrique de Guzman covering Lot 5249, Ts-217, situated at Dadiangas, General Santos City, and TCT No. T-7203 in the name of Rio Rivera and Carolina de Guzman and the Certificate of Sale executed by the City Sheriff, General Santos City, dated October 29, 1977, in favor (sic) Hoechst Philippines, Inc., null and void;
- "2. Ordering Rio Rivera and Carolina de Guzman and/or Hoechst Philippines, Inc., to Surrender to the Register of Deeds, General Santos City, the Owner's Duplicate of said TCT No. T-7203 or any subsequent transfer certificate of title issued in the name of Hoechst Philippines, Inc. if any, and once surrendered, ordering the Register of Deeds, General Santos City, to cancel the owner's duplicate original of said Title No. P-29712 in the name of Enrique de Guzman and owner's duplicate of TCT No. T-2703 in the name of Rio Rivera and Carolina de Guzman on file with this (Register of Deeds) Office;
- "3. Ordering the Register of Deeds, General Santos City, to cancel OCT No. P-29712 and TCT No. T-7203 in the name of Enrique de Guzman and Rio Rivera, respectively, and all other subsequent transfer certificate of titles derived therefrom should said defendants Enrique P. de Guzman, Rio Rivera and Carolina de Guzman or Hoechst Philippines, Inc fail to surrender their respective certificate of titles over Lot No. 5249, Ts-217;
- "4. Ordering the reversion of Lot No. 5249, Ts-217 situated at Dadiangas, General Santos City, to the mass of public domain, subject to the administration and disposition of the Director of Lands or the Board of Liquidators as the case maybe, giving preference to qualified and actual occupant; and
- "5. Dismissing the counterclaim with costs against the defendants.

"SO ORDERED.

"General Santos City, July 9, 1987.

"(s/t) ABEDNEGO O. ADRE

"Judge"^[17]

On November 10, 1988, spouses Rivera appealed the decision to the Court of Appeals.^[18]

On May 25, 1992, the Court of Appeals rendered decision reversing the decision of the trial court.^[19] The Court of Appeals ruled that when Enrique P. de Guzman

obtained Original Certificate of Title No. P-29712, the land ceased to be part of the public domain. The land became registered under the Torrens system, converted into a private registered land, and governed by the Property Registration Decree (P.D. 1529). Being a private land, the Director of Lands had neither control nor jurisdiction over the land. Furthermore, the title became indefeasible after the expiration of one (1) year from issuance thereof.

The Court of Appeals found that no fraud attended the issuance of the patent and Original Certificate of Title to de Guzman. It stated that the discrepancy in the name Diono and Diones appearing in the records was a mere typographical error.

The appellate court gave little credit to the investigation report relied upon by the trial court. It held that no other evidence, whether testimonial or documentary, was presented to prove that the documents presented by de Guzman were issued by fictitious persons or entirely fabricated.

However, the Court of Appeals sustained the finding of the trial court that Enrique P. de Guzman and spouses Rivera were not in possession of the property. The Court of Appeals concluded that de Guzman misrepresented facts in his application since he was not the possessor at the time he applied for the sales patent. Nonetheless, the Court of Appeals ruled that title founded on fraud or misrepresentation could not be assailed since more than one year had lapsed from the issuance of the public land patent.

At any rate, the Court of Appeals held that the land has passed to innocent purchasers for value, namely, spouses Rivera. The Court of Appeals argued that mere relationship to de Guzman, without any other proof of bad faith on the part of spouses Rivera, did not dispute the presumption that they were innocent purchasers for value.

On August 19, 1992, the Republic of the Philippines filed with this Court, a petition for review on *certiorari* of the Court of Appeals' decision.^[20]

On February 17, 1993, we gave due course to the petition and required the parties to file their respective memoranda.^[21] The parties have complied.

Petitioner Republic of the Philippines contends that Enrique de Guzman obtained the Miscellaneous Sales Patent No. 814 and OCT No. P-29712 through fraudulent means. Petitioner avers that the supporting documents submitted by de Guzman together with his sales application, were either fabricated or issued by fictitious persons. Thus, both the sales application and original certificate of title issued in favor of Enrique P. de Guzman were null and void. Petitioner avers that respondent spouses Rivera being related by consanguinity and affinity to de Guzman were not innocent purchasers for value.

We grant the petition.

Initially, we resolve the question of whether or not the Director of Lands loses authority over the land the moment an original certificate of title is issued covering the same. The Court of Appeals ruled that the issuance of the original certificate of title converted the lot into a private land, thereby placing it beyond the authority of