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 Third Division
 DEC 27 2016

Republic of the Philippines
Supreme Court
 Manila

THIRD DIVISION

**SPOUSES LUISITO PONTIGON
 and LEODEGARIA SANCHEZ-
 PONTIGON,**

G.R. No. 221513

Present:

Petitioners,

VELASCO, JR., *J.*, Chairperson
 PERALTA,
 PEREZ,
 REYES, and
 JARDELEZA, *JJ.*

- versus -

**HEIRS OF MELITON SANCHEZ,
 namely: APOLONIA SANCHEZ,
 ILUMINADA SANCHEZ
 (deceased), MA. LUZ SANCHEZ,
 AGUSTINA SANCHEZ, AGUSTIN
 S. MANALANSAN, PERLA S.
 MANALANSAN, ESTER S.
 MANALANSAN, GODOFREDO S.
 MANALANSAN, TERESITA S.
 MANALANSAN ISRAELITA S.
 MANALANSAN, ELOY S.
 MANALANSAN, GERTRUDES S.
 MANALANSAN, represented by
 TERESITA SANCHEZ
 MANALANSAN,**

Promulgated:

Respondents.

December 5, 2016

X

Wilecejo V. Lapitan X

DECISION

PEREZ, J.:

Before us is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court seeking the reversal of the March 26, 2015 Decision¹ and

¹ *Rollo*, pp. 11-28; penned by Associate Justice Maria Elisa Sempio Diy and concurred in by Associate Justices Ramon M. Bato, Jr. and Manuel M. Barrios.

September 14, 2015 Resolution² of the Court of Appeals (CA) in CA-G.R. CV No. 100188.³ The assailed rulings affirmed the trial court judgment that declared Transfer Certificate of Title (TCT) No. 162403-R, under the name of petitioners, null and void because of the fraud and irregularities that allegedly attended its issuance.

The Facts

Meliton Sanchez (Meliton) had been the owner of a 24-hectare parcel of land situated in Gutad, Floridablanca, Pampanga. Said property was duly-registered in his name under Original Certificate of Title (OCT) No. 207 issued on October 15, 1938.⁴

On August 11, 1948, Meliton died intestate, leaving the subject property to his surviving heirs, his three children, namely: Apolonio, Flaviana, and Juan, all surnamed Sanchez. Petitioner Leodegaria Sanchez-Pontigon (Leodegaria) is the daughter of Juan and petitioner Luisito Pontigon (Luisito) is the husband of Leodegaria. The respondents herein, who are all represented by Teresita S. Manalansan (Teresita), are Meliton's grandchildren with Flaviana.

On September 17, 2000, the respondents filed a Complaint for Declaration of Nullity of Title and Real Estate Mortgage with Damages⁵ against petitioners, docketed as Civil Case No. G-06-3792 before the Regional Trial Court (RTC), Branch 49 of Guagua, Pampanga.⁶ Respondents posited that the property in issue had never been partitioned among the heirs of Meliton, but when respondents verified with the Register of Deeds of Pampanga (RD) the status of the parcels of land sometime in August 2000, they discovered that OCT No. 207 was nowhere to be found – what was only with the RD's custody was the owner's copy of OCT No. 207, free of any annotation of cancellation or description of any document that could have justified the transfer of the property covered. Despite this fact, petitioners, even without any document of conveyance, were able to transfer the title of the subject lot to their names, resulting in the issuance of Transfer Certificate of Title (TCT) No. 162403-R on May 21, 1980 covering the same parcel of land. Hence, respondents, argued that the transfer of title to petitioners was fraudulent and invalid, and that petitioners merely held

² Id. at 40-43.

³ Entitled "*Heirs of Meliton Sanchez, namely: Apolonio Sanchez, Iuminada Sanchez, Ma. Luz Sanchez, Agustin S. Manalansan, Perla S. Manalansan, Ester Manalansan, Godofredo S. Manalansan, Israelita S. Manalansan, Eloy S. Manalansan, Gertrudes S. Manalansan, Represented by Teresita Sanchez-Manalansan, Attorney-in-fact v. Spouses Luisito Pontigon and Leodegaria Sanchez Pontigon.*"

⁴ *Rollo*, p. 12.

⁵ Id. at 139-145.

⁶ Id. at 13.

title over the subject property in trust for Meliton's heirs.⁷

It was further averred that post-transfer, petitioners unlawfully and fraudulently obtained a loan from, and mortgaged the subject property to, Quedan and Rural Credit Guarantee Corporation (Quedancor) – an additional defendant in Civil Case No. G-06-3792. Quedancor allegedly did not take the necessary steps to verify the title over and the true ownership of the subject property.⁸

Deprived of their inheritance over the subject property, to their damage and prejudice, respondents prayed that TCT No. 162403-R be declared null and void; that the real estate mortgage in favor of Quedancor likewise be nullified; that OCT No. 207 registered under Meliton's name be reinstated; and that damages be awarded in their favor.⁹

In their Answer, petitioners denied the material allegations in the Complaint. They countered that the conveyance in their favor is evidenced by an Extra-judicial Settlement of Estate of Meliton Sanchez and Casimira Baluyut with Absolute Sale (Extrajudicial Settlement) that was prepared and notarized by Atty. Emiliano Malit on November 10, 1979. In fact, Apolonio, Juan, and Flaviana filed before Branch 2 of the then Court of First Instance (CFI) of Pampanga a Petition for Approval of the Extrajudicial Partition (Petition for Approval). Petitioners further alleged that on December 29, 1979, a Decision was rendered granting the petition adverted to, which ruling became final and executory based on a certification dated February 15, 1980 issued by the then clerk of court.¹⁰

Petitioners also raised the following affirmative defenses: that respondents had no cause of action against petitioners, Quedancor, and the RD; that respondent Teresita Sanchez Manalansan (Teresita) had no authority to represent all the respondents in the case; and that twenty (20) years had already passed from the issuance of TCT No. 162403-R on May 21, 1980 before respondents lodged their Complaint. Petitioners would file on October 10, 2002 a motion to dismiss reiterating the defense that respondents' action is already barred by prescription.¹¹

For its part, Quedancor explained that petitioners mortgaged to it the parcel of land covered by TCT No. 162403-R as security for a Php6,617,000.00 loan extended in their favor. It claimed that the mortgage was approved in good faith since it verified with the RD the veracity of

⁷ Id. at 13-14.

⁸ Id. at 14.

⁹ Id. at 143.

¹⁰ Id. at 163

¹¹ Id. at 164.

petitioners' title. Moreover, by way of affirmative defense, Quedancor maintained that respondents have no cause of action against it. It then prayed that respondents be ordered to pay the corporation damages and attorney's fees.¹²

With the issues joined, trial on the merits ensued.

During trial, respondent Teresita, attorney-in-fact of her co-parties, testified that the subject property was merely held in trust by her uncle Juan, Meliton's son and petitioner Leodegaria's father, who had been paying the taxes on the property since he is the most educated and successful of the three siblings; and, that she was the one who verified with the RD and discovered that only the owner's copy of OCT No. 207 was in the office's custody *sans* any annotation of cancellation or encumbrance.¹³ Myrna Guinto, a Record Officer at the RD and witness for the respondents, testified that the duplicate owner's copy adverted to indeed bears no indication that it had been cancelled or otherwise encumbered.¹⁴

On the other hand, petitioner Luisito testified that even though he and his wife do not particularly like the location of the lots in issue, they accepted Juan, Apolonio, and Flaviana's offer to sell to them Meliton's erstwhile property due to sentimental reasons. The Extrajudicial Settlement was then executed and the Petition for Approval filed to effect the transfer in petitioners' name. The petition for approval, according to Luisito, was favorably acted upon by the CFI of Pampanga on November 30, 1979, which ruling allegedly became final and executory.¹⁵

Leodegaria corroborated Luisito's testimony that they were constrained to purchase the lot for its emotional attachment to them. She revealed that it was her father Juan who hired a lawyer, Atty. Malit, to effect the transfer, and that she was present when the Extrajudicial Settlement was executed by the three siblings, with Lucita Jalandoni and Agustin Manalansan as instrumental witnesses. Atty. Malit deposited into Flaviana's account the payments of the purchase price. And since then, petitioners occupied and developed the disputed lot.¹⁶

Atty. Lorna Salangsang-Dee (Atty. Dee), the Register of Deeds for Pampanga, likewise took the witness stand to explain that all documents relative to titles issued prior to October 1995 were destroyed by the *lahar* and flash floods that inundated their office. She further testified, on cross-

¹² Id. at 146-150.

¹³ Id. at 163-164.

¹⁴ Id. at 165-166.

¹⁵ Id. at 170-171.

¹⁶ Id. at 171-172.

examination, that she concluded that the owner's duplicate certificate of OCT No. 207 appears in their records because there was a transaction that warranted its surrender to the Registry.¹⁷

In rebuttal, respondent Teresita was recalled as witness. She claimed that the first time she saw the Extrajudicial Settlement was when it was presented in court. She brought to the court's attention the fact that the document was allegedly executed on November 10, 1979, when her mother, Flaviana, was already 69 years of age. It was Teresita's contention that Flaviana, in her advanced age, was already senile during the date material and, thus, could not have validly consented to the sale of her property. Teresita admitted, though, that she has no document to prove the status of her mother's then mental condition.¹⁸

The second rebuttal witness, Thiogenes Manalansan Ragos, Jr. (Thiogenes), son of respondent Perla Manalansan and grandson of Flaviana, claimed that on November 7, 1979, between 2:00-3:00 p.m., Juan, Luisito, and Leodegaria arrived at the house of Flaviana to coerce her into signing a document. Because Flaviana refused to affix her signature, she was forcibly taken by the three. Thereafter, Thiogenes accompanied his mother, Perla, to the police station to report the incident. There, he allegedly saw Perla file a complaint stating, among others, that Juan was persuading Flaviana to sign a document of sale.¹⁹

Ruling of the Regional Trial Court

During the course of the trial, the RTC issued its Order dated May 28, 2003 denying petitioners' motion to dismiss, ruling that respondents' cause of action has not yet prescribed. The RTC ratiocinated that by filing a motion to dismiss, petitioners hypothetically admitted the allegations in the complaint that they and respondents are co-owners of the subject property, being the heirs of Meliton. Having fraudulently obtained title over the subject property to the prejudice of respondents, a trust relation was created by operation of law, whereby petitioners merely held the subject property in trust for and in behalf of their co-owners. As held, an action based on this trust relation could not be barred by prescription.²⁰

Subsequently, on June 28, 2012, the RTC promulgated a Decision²¹ in favor of respondents. The dispositive portion of the Decision states:²²

¹⁷ Id. at 172-173.

¹⁸ Id. at 175-177.

¹⁹ Id. at 177-178.

²⁰ Id. at 18.

²¹ Id. at 160-188; penned by Presiding Judge Jesusa Mylene C. Suba-Isip.

²² Id. at 187-188.

WHEREFORE, premises considered, judgment is hereby rendered:

1. Declaring null and void Transfer Certificate of Title No. 162403-R registered in the name of defendants-spouses Luisito Pontigon and Leodegaria Sanchez and declaring herein plaintiffs represented by Teresita Sanchez Manalansan as rightful co-owners to a one-third portion of the property embraced in said title previously registered in the name of Meliton Sanchez per Original Certificate of Title No. 207;
2. Ordering the Register of Deeds of Pampanga to cancel TCT No. 162403-R and issue a new title in favor of the Heirs of Meliton Sanchez, upon payment of the necessary taxes and lawful fees;
3. Upholding the validity of the real estate mortgage constituted on TCT No. 162403-R and setting aside the writ of preliminary injunction issued against defendant Quedancor without prejudice to the rights of herein plaintiffs as co-owners of the mortgaged property;
4. Denying plaintiff's claim for damages and attorney's fees as well as defendants' counterclaims for lack of merit.

SO ORDERED.

The RTC maintained that the transfer of title of the subject property to petitioners was tainted with irregularities. While the trial court took judicial notice of the floods and *lahar* that inundated the Provincial Capitol, it found strange that the owner's duplicate certificate, but not the original copy, of OCT No. 207, would remain with the RD, clean of any annotation or marking at that.²³

Anent the Petition for Approval, the RTC noted that the pleading filed before the CFI was verified by Juan alone; that the court order setting it for hearing was not signed by the then presiding judge; and that the certification of the CFI judgment granting the Petition for Approval was a mere photocopy and does not satisfy the best evidence rule. Additionally, the RTC weighed against petitioners the fact that the Petition for Approval was prepared earlier than the Extrajudicial Settlement sought to be approved. The Extrajudicial Settlement was dated November 10, 1979, while the Petition for Approval was dated November 9, 1979, albeit filed on November 12, 1979.²⁴

Taking substantial consideration of the "damning rebuttal evidence" of respondents,²⁵ the trial court deemed implausible petitioners' postulation that they purchased the subject property for sentimental reasons. It further held

²³ Id. at 181-182.

²⁴ Id. at 180-181.

²⁵ Id. at 182.

the petitioners did not particularly dispute that respondents are heirs of Meliton. Thus, upon Meliton's death, co-ownership existed among the siblings, Juan, Apolonio and Flaviana. Finally, the RTC held that the subject property should then be divided equally among the three (3) heirs.²⁶

Petitioners filed a Motion for Reconsideration,²⁷ but their contentions were rejected by the RTC anew.²⁸ Aggrieved, they elevated the case to the CA *via* appeal.

Ruling of the Court of Appeals

Through its assailed Decision, the appellate court affirmed the findings of the RTC and disposed of the case in the following wise:²⁹

WHEREFORE, the instant appeal is **DENIED**. The Decision dated June 28, 2012 of Branch 49, Regional Trial Court of Guagua, Pampanga in Civil Case No. G-06-3792 is hereby **AFFIRMED**.

SO ORDERED.

At the outset, the CA ruled that petitioners' appeal was procedurally infirm. Citing Sec. 1(f), Rule 50³⁰ of the Rules of Court, the CA held that failure of petitioners to submit a subject index is fatal to the appeal and warrants the outright denial of their plea.³¹

Even if the absence of the subject index were to be excused, the appellate court nevertheless found no cogent reason to disturb the trial court's ruling. The CA explained that the Extrajudicial Settlement cannot be considered a public document because it was not properly notarized. It could

²⁶ Id. at 182-183.

²⁷ Id. at 189-200.

²⁸ Id. at 201-202

²⁹ Id. at 27-28.

³⁰

RULE 50

Dismissal of Appeal

Section 1. *Grounds for dismissal of appeal.* — An appeal may be dismissed by the Court of Appeals, on its own motion or on that of the appellee, on the following grounds:

xxx

(f) Absence of specific assignment of errors in the appellant's brief, or of page references to the record as required in section 13, paragraphs (a), (c), (d) and (f) of Rule 44;

xxx

RULE 44

Ordinary Appealed Cases

xxx

Section 13. *Contents of appellant's brief.* — The appellant's brief shall contain, in the order herein indicated, the following:

(a) A subject index of the matter in the brief with a digest of the arguments and page references, and a table of cases alphabetically arranged, textbooks and statutes cited with references to the pages where they are cited; xxx

³¹

Rollo, p. 21.

not then bind third persons, including respondents, according to the appellate court.³² Moreover, the CA ruled that the document adverted to is bereft of any probative value for failure on the part of petitioners to comply with the rules on the admissibility of private documents as proof.³³ It also shared the RTC's observations as regards the Petition for Approval.³⁴ Given the irregularities attending the execution and approval of the Extrajudicial Settlement, the CA concluded that it could not have conveyed title to petitioners, and that TCT No. 162403-R, consequently, is a nullity.³⁵

From the date of their receipt of the adverse ruling, petitioners had until May 9, 2015 within which to move for reconsideration therefrom. It would be on May 4, 2015 when petitioners would interpose their Motion for Reconsideration³⁶ and Entry of Appearance³⁷ of Atty. Roniel Dizon Muñoz (Atty. Muñoz). Atty. Juvy Mell Sanchez-Malit (Atty. Malit), the counsel who previously represented the petitioners in the earlier proceedings, never informed the court that she is withdrawing from the case.

On October 2, 2015, petitioners received a copy of the Notice of Resolution³⁸ with Entry of Judgment³⁹ dated September 14, 2015, which provides thusly:⁴⁰

WHEREFORE, premises considered, the Court resolves as follows:

1. The Entry of Appearance as Counsel for Defendants-Appellants Spouses Pontigon filed by Atty. Roniel Dizon Muñoz is simply **NOTED WITHOUT ACTION**; and
2. The Motion for Reconsideration filed by Atty. Dizon Muñoz is hereby **EXPUNGED** from the rollo of this case, being a mere scrap of paper with no remedial value for having been filed by unauthorized counsel.

Accordingly, the Division Clerk of Court is hereby **DIRECTED** to issue an Entry of Judgment in consonance with Section 3 (b), Rule IV and Section 1, Rule VII of the IRCA, as amended.

SO ORDERED.

³² Id. at 23.
³³ Id. at 24.
³⁴ Id. at 25.
³⁵ Id. at 26.
³⁶ Id. at 109-120.
³⁷ Id. at 121.
³⁸ Id. at 123-126.
³⁹ Id. at 127.
⁴⁰ Id. at 126.

In fine, the CA treated the Motion for Reconsideration as a mere scrap of paper since it was allegedly not filed by petitioners' counsel of record. Atty. Muñoz was not vested with the authority to file the pleading in their behalf since the manner by which petitioners substituted their counsel is not consistent with Sec. 26, Rule 138 of the Rules of Court.⁴¹ Citing *Ramos v. Potenciano*,⁴² the CA held that no substitution of attorneys will be allowed unless the following requisites concur: there must be (1) a written application for substitution; (2) written consent of the client to the substitution; and (3) written consent of the attorney to be substituted, if such consent can be obtained. x x x⁴³

Unless these formalities are complied with, no substitution may be permitted and the attorney who appeared last in the case before such application for substitution would be regarded as the attorney of record and would be held responsible for the conduct of the case.⁴⁴

Unfazed, petitioners again filed a Motion for Reconsideration,⁴⁵ this time from the September 14, 2015 Resolution. The said motion remains pending with the CA to date. In the interim, the appellate court remanded the folders of this case to the court of origin.

Hence, the instant recourse.

The Issues

The pivotal issues of the current controversy are as follows:

- I. Whether or not the CA is correct in ruling that Atty. Muñoz did not have the authority to file the Motion for Reconsideration in behalf of the petitioners, rendering it a mere scrap of paper;
- II. Whether or not respondents' cause of action is barred by prescription;
- III. Whether or not the appellate court correctly held that the

⁴¹ **Section 26. Change of attorneys.** — An attorney may retire at any time from any action or special proceeding, by the written consent of his client filed in court. He may also retire at any time from an action or special proceeding, without the consent of his client, should the court, on notice to the client and attorney, and on hearing, determine that he ought to be allowed to retire. In case of substitution, the name of the attorney newly employed shall be entered on the docket of the court in place of the former one, and written notice of the change shall be given to the adverse party.

⁴² G.R. No. L-19436, November 29, 1963, 9 SCRA 589, 592-593.

⁴³ Id. at 592; *rollo*, p. 125.

⁴⁴ Id.; id.

⁴⁵ *Rollo*, pp. 128-132.

Extrajudicial Settlement does not bind the respondents;

IV. Whether or not the Extrajudicial Settlement is admissible as evidence;

V. Whether or not the CA erred in ruling that TCT No. 162403-R is a nullity because of the irregularities that attended its issuance;

VI. Whether or not a relaxation of the procedural rules is warranted in this case.

The Court's Ruling

The Court finds merit in the petition. The resolution of the issues raised herein shall be discussed *seriatim*, beginning with the procedural aspect of the case.

The CA erred in denying the Motion for Reconsideration for want of authority of counsel

Oft cited, but rarely applied, is that technical rules may be relaxed only for the furtherance of justice and to benefit the deserving.⁴⁶ This controversy before us, however, is one of the exceptional instances wherein the proverb can properly be invoked.

We entertain this petition notwithstanding the finality of the judgment because fault here lies with the CA for its unjustified denial of the first Motion for Reconsideration filed by Atty. Muñoz, and for its refusal to resolve the still pending second Motion for Reconsideration in CA-G.R. CV No. 100188. It was plain error for the appellate court to have treated the first Motion for Reconsideration as a sham pleading for allegedly not having been filed by the counsel of record.

The September 14, 2015 Resolution of the appellate court is premised on the alleged failed substitution of counsel. Premised on the immediate assumption that Atty. Muñoz was intended as a replacement for Atty. Sanchez-Malit, the CA concluded that non-observance of Sec. 26, Rule 138 of the Rules of Court rendered Atty. Muñoz's filing of the first Motion for Reconsideration to be wanting of authority.

⁴⁶ *Magsino v. De Ocampo*, G.R. No. 166944, August 18, 2014, 733 SCRA 202, 220.



The theory of the CA is flawed.

Apropos herein is the Court's teaching in *Land Bank of the Phils. v. Pamintuan Dev. Co.*,⁴⁷ to wit:

[A] **substitution cannot be presumed from the mere filing of a notice of appearance of a new lawyer** and that the representation of the first counsel of record continuous until a formal notice to change counsel is filed with the court. Thus, absent a formal notice of substitution, all lawyers who appeared before the court or filed pleadings in behalf of the client are considered counsels of the latter. All acts performed by them are deemed to be with the clients' consent. (Emphasis supplied)

Applying the afore-quoted doctrine, it is imperative that the intention of the petitioners to replace their original counsel, Atty. Sanchez-Malit, be evidently clear before substitution of counsel can be presumed. The records readily evince, however, that herein petitioners did not manifest even the slightest of such intention. No inference of an intent to replace could be drawn from the tenor of either the first Motion for Reconsideration or in Atty. Muñoz's Entry of Appearance.

To dispel any lingering doubt as to the true purpose of Atty. Muñoz's entry, worthy of note is that he indicated in his Entry of Appearance that his office address is "Sanchez-Malit Building" in Dinalupihan, Bataan.⁴⁸ More, both counsels signed the present petition for review on *certiorari*, indicating only one address, the very same building of Atty. Sanchez-Malit, for where court processes shall be served. Indubitably, the Entry of Appearance by the new lawyer, Atty. Muñoz, ought then be construed as a collaboration of counsels, rather than a substitution of the prior representation. Consequently, the CA should have entertained and resolved the Motions for Reconsideration filed by petitioners through Atty. Muñoz, despite Atty. Sanchez-Malit's non-withdrawal from the case.

Verily, it was wrong for the CA to have denied outright petitioners' first Motion for Reconsideration, and to have directed the post-haste issuance of the Entry of Judgment. These haphazard actions resulted in the deprivation of petitioners of a guaranteed remedy under the rules. But more than the need to rectify the CA's procedural miscalculation, the liberal application of the rules is justified under the circumstances in order to obviate the frustration of substantive justice.

***Respondents' action is already
barred by prescription***

⁴⁷ G.R. No. 167886, October 25, 2005; citing *Sublay v. National Labor Relations Commission*, 381 Phil. 198.

⁴⁸ *Rollo*, p. 121.

The May 28, 2003 Order of the RTC denying petitioners' motion to dismiss on the ground of prescription cannot be sustained. To recall, the RTC held that as co-owners of the subject property, a trust relation was established between the parties when petitioners fraudulently obtained title over the same.⁴⁹ An action anchored on this relation of trust is imprescriptible, or so the RTC ruled.

We find this ruling of the RTC not in accord with law and jurisprudence.

Under the Torrens System as enshrined in P.D. No. 1529,⁵⁰ the decree of registration and the certificate of title issued become incontrovertible upon the expiration of one (1) year from the date of entry of the decree of registration, without prejudice to an action for damages against the applicant or any person responsible for the fraud.⁵¹ However, actions for reconveyance based on implied trusts may be allowed beyond the one-year period. As elucidated in *Walstrom v. Mapa, Jr.*:⁵²

[N]otwithstanding the irrevocability of the Torrens title already issued in the name of another person, he can still be compelled under the law to reconvey the subject property to the rightful owner. The property registered is deemed to be held in trust for the real owner by the person in whose name it is registered. After all, the Torrens system was not designed to shield and protect one who had committed fraud or misrepresentation and thus holds title in bad faith.

In an action for reconveyance, the decree of registration is respected as incontrovertible. What is sought instead is the transfer of the property, in this case the title thereof, which has been wrongfully or erroneously registered in another person's name, to its rightful and legal

⁴⁹ **Article 1456.** If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes.

⁵⁰ AMENDING AND CODIFYING THE LAWS RELATIVE TO REGISTRATION OF PROPERTY AND FOR OTHER PURPOSES

⁵¹ **Section 32.** *Review of decree of registration; Innocent purchaser for value.* 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 judgments, 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 persons responsible for the fraud.

⁵² 260 Phil. 456, 468-469 (1990).

owner, or to one with a better right. This is what reconveyance is all about. Yet, **the right to seek reconveyance based on an implied or constructive trust is not absolute nor is it imprescriptible.** An action for reconveyance based on an implied or constructive trust must perforce prescribe in **ten years** from the issuance of the Torrens title over the property. (Emphasis supplied)

Thus, an action for reconveyance of a parcel of land based on implied or constructive trust prescribes in ten (10) years, the point of reference being the date of registration of the deed or the date of the issuance of the certificate of title over the property.⁵³

By way of additional exception, the Court, in a catena of cases,⁵⁴ has permitted the filing of an action for reconveyance despite the lapse of more than ten (10) years from the issuance of title. The common denominator of these cases is that the plaintiffs therein were in actual possession of the disputed land, converting the action from reconveyance of property into one for quieting of title. Imprescriptibility is accorded to cases for quieting of title since the plaintiff has the right to wait until his possession is disturbed or his title is questioned before initiating an action to vindicate his right.⁵⁵

A perusal of respondents' Complaint,⁵⁶ though, reveals that the allegations contained therein do not include possession of the contested property as an ultimate fact. As such, the present case could only be one for reconveyance of property, not for quieting of title. Accordingly, respondents should have commenced the action within ten (10) years reckoned from May 21, 1980, the date of issuance of TCT No. 162403-R, instead of on September 17, 2000 or more than twenty (20) years thereafter.

The Extrajudicial Settlement is a private document that is binding on the respondents

The appellate court did not err in ruling that the Extrajudicial Settlement was not properly notarized given the absence of Flaviana's residence certificate number. As it appears, no identification was ever presented by Flaviana when the document was notarized. Be that as it may, the irregularity in the notarization is not fatal to the validity of the Extrajudicial Settlement. For even the absence of such formality would not necessarily invalidate the transaction embodied in the document – the defect merely renders the written contract a private instrument rather than a public

⁵³ 242 Phil. 709, 715 (1988.)

⁵⁴ 376 Phil. 825 (1999), 166 Phil. 429 (1977).

⁵⁵ 452 Phil. 178, 206 (2003).

⁵⁶ *Rollo*, pp. 139-145.

one.

While Art. 1358 of the New Civil Code seemingly requires that contracts transmitting or extinguishing real rights over immovable property should be in a public document,⁵⁷ hornbook doctrine is that the embodiment of certain contracts in a public instrument is only for convenience.⁵⁸ It is established in jurisprudence that non-observance of the prescribed formalities does not necessarily excuse the contracting parties from complying with their respective obligations under their covenant, and merely grants them the right to compel each other to execute the proper deed.⁵⁹ A contract of sale has the force of law between the contracting parties and they are expected to abide, in good faith, by their respective contractual commitments⁶⁰ notwithstanding their failure to comply with Art. 1358.

As similarly observed by the appellate court, the Extrajudicial Settlement is not a nullity, but a valid document, albeit a private one. The CA never declared the document as void, but only that it cannot be considered as binding on third parties. It added, however, that respondents fall within the category of “third persons” against whom the stipulations in the private document can never be invoked.⁶¹ On this point, we digress.

The principle of relativity of contracts dictates that contractual agreements can only bind the parties who entered into them, and cannot favor or prejudice third persons, even if he is aware of such contract and has acted with knowledge thereof.⁶² The doctrine finds statutory basis under Art. 1311 of the New Civil Code, which provides:

⁵⁷ **Article 1358.** The following must appear in a public document:
 (1) Acts and contracts which have for their object the creation, transmission, modification or extinguishment of real rights over immovable property; sales of real property or of an interest therein as governed by Articles 1403, No. 2, and 1405;

xxxx

Article 1403. The following contracts are unenforceable, unless they are ratified:

xxx

(2) Those that do not comply with the Statute of Frauds as set forth in this number. In the following cases, an agreement hereafter made shall be unenforceable by action, unless the same, or some note or memorandum, thereof, be in writing, and subscribed by the party charged, or by his agent; evidence, therefore, of the agreement cannot be received without the writing, or a secondary evidence of its contents:

xxxx

(e) An agreement of the leasing for a longer period than one year, or for the sale of real property or of an interest therein;

xxx

⁵⁸ 700 Phil. 191, 203 (2012).

⁵⁹ **Article 1357.** If the law requires a document or other special form, as in the acts and contracts enumerated in the following article, the contracting parties may compel each other to observe that form, once the contract has been perfected. This right may be exercised simultaneously with the action upon the contract.

⁶⁰ **Article 1159.** Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.

⁶¹ *Rollo*, p. 23.

⁶² 727 Phil. 473, 480 (2014).

Article 1311. Contracts take effect only **between the parties, their assigns and heirs**, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law. xxx (Emphasis supplied)

The law is categorical in declaring that as a general rule, the **heirs** of the contracting parties are precluded from denying the binding effect of the valid agreement entered into by their predecessors-in-interest. This is so because they are not deemed “third persons” to the contract within the contemplation of law. Additionally, neither the provision nor the doctrine makes a distinction on whether the contract adverted to is oral or written, and, even more so, whether it is embodied in a public or private instrument. It is then immaterial that the Extrajudicial Settlement executed by Flaviana was not properly notarized for the said document to be binding on her heirs, herein respondents.

Reliance by the trial court on the so-called “damning rebuttal evidence” is misplaced and cannot be countenanced. Said evidence contradicts the very allegations in their Complaint. It effectively modifies the respondents’ theory of the case and transforms the action so as to include a collateral attack on the deed of conveyance. It cannot escape the attention of the court that despite alleging in their Complaint and in their initial presentation of evidence that there was no document of conveyance that justifies the issuance of TCT No. 162403-R, respondents made a complete turnabout and virtually admitted the existence of the Extrajudicial Settlement on rebuttal, but nevertheless argued against its validity.

To review, Thiogenes, son of respondent Perla Manalansan, testified that on November 7, 1979, Juan, Luisito, and Leodegaria forcibly took Flaviana and coerced the latter to execute the sale in favor of petitioners. If this version of the facts were to be believed, this could only mean: (a) that the Extrajudicial Settlement existed, (b) that Flaviana’s heirs knew of its existence; and (c) that Flaviana’s consent was vitiated through force and intimidation. Noteworthy, too, is that Agustin Manalansan, one of the respondents in this case, even signed the deed as an instrumental witness to the execution of the deed. Yet, he did not testify to disavow the signature appearing above his name in the Extrajudicial Settlement.

The above circumstances render the Extrajudicial Settlement voidable, not void.⁶³ Under the law, a voidable contract retains the binding effect of a valid one unless otherwise annulled.⁶⁴ And as prescribed, the action for annulment shall be brought within four (4) years, in cases of intimidation,

⁶³ **Article 1330.** A contract where consent is given through mistake, violence, intimidation, undue influence, or fraud is voidable.

⁶⁴ Art. 1390, New Civil Code.

violence or undue influence, from the time the defect of the consent ceases.⁶⁵ Unfortunately for respondents, the prescriptive period for annulment had long since expired before they filed their Complaint. They cannot be permitted to circumvent the law by belatedly attacking, collaterally and as an afterthought at that, the validity of the erstwhile voidable instrument in the present action for declaration of nullity of title.

The validity of the Extrajudicial Settlement cannot then be gainsaid. Ratified by their inaction, the document of conveyance, as well as the consequences of its registration, would then bind the respondents. This still holds true notwithstanding the glaring irregularities in the Petition for Approval. Obvious to the eye and intellect as the errors may be, they are of no moment since the Extrajudicial Settlement, a private writing and unpublished as it were, nevertheless remains to be binding upon any person who participated thereon or had notice thereof.⁶⁶

***Petitioners complied with the rules
on authentication of private
documents***

Likewise, the CA erroneously ruled that the Extrajudicial Settlement is bereft of probative value because of petitioners' alleged failure to comply with the rules on the admissibility of evidence set forth under Rule 132, Sec. 20 of the Rules of Court, *viz*:

Section 20. Proof of private document.— Before any private document offered as authentic is received in evidence, its due execution and authenticity must be proved either:

(a) By anyone who saw the document executed or written; or

(b) By evidence of the genuineness of the signature or handwriting of the maker.

Any other private document need only be identified as that which it is claimed to be

Contrary to the CA's ruling, petitioners complied with the foregoing authentication requirements. Pertinent hereto is petitioner Leodegaria's testimony on January 13, 2009:⁶⁷

Atty. Malit

So what is the document they executed?

⁶⁵ Art. 1391, New Civil Code.

⁶⁶ RULES OF COURT, Rule 74, Sec. 1.

⁶⁷ *Rollo*, pp. 78-80; Petition for *Cetiorari*, pp. 17-19, citing TSN of January 13, 2009, pp. 8-12.

- Witness Then they executed a deed of sale, after that the lawyer took over the required documents to this effect like this extrajudicial settlement, that is one, and two, that is to pay all the taxes for more than fifty (50) years, Ma'am. After that the deed of sale then the extra-judicial settlement and after the [extra judicial] settlement they signed in front of the lawyer and after that publication in a newspaper of general circulation.
- Atty. Malit Now you mentioned that a document entitled extrajudicial settlement, if that copy will be shown to you, would you be able to identify it?
- Witness Yes Ma'am
- Atty. Malit I am showing to you a document entitled extrajudicial settlement of the estate of deceased spouses Meliton Sanchez and Casimira Baluyot, will you please go over this document.
- Witness Which consists of two (2) pages and tell us if this is the one executed by Juan, Flaviana, and Apolonia?
Yes Ma'am
- Atty. Malit Above the names of Juan, Flaviana and Apolonio (sic) are signatures, do you know whose signatures are these?
- Witness These are the signatures of Juan, Flaviana and Apolonio, Ma'am.
- Atty. Malit **Why do you know that these are the signatures of Juan, Flaviana, and Apolonio?**
- Witness **Because I was present with my lawyer, Ma'am.**
- Atty. Malit On the second page of the document you are holding [two] (2) witnesses whose signatures appear on said document can you recall whose signatures are these?
- Witness The signatures of Lucita Jardinas and Agustin Manalansan, Ma'am.
- Atty. Malit Who is this Lucita Jalandoni?
- Witness Lucita is the witness from the office of Atty. Malit, Ma'am.
- Atty. Malit How about the other signature, Agustin Manalansan?
- Witness Agustin Manalansan is the son of Flaviana Sanchez, Ma'am.
- Atty. Malit Is he the same person who is one of the plaintiffs in this case?
- Witness Yes, sir (sic). (Emphasis supplied)

As can be gleaned from the transcripts, the contents of petitioner Leodegaria's testimony satisfy the rules pertaining to the admissibility of documentary evidence. Her claim that she was present at the time the Extrajudicial Settlement was executed is competent proof of the said document's authenticity and due execution. To be sure, neither the RTC nor the CA held that the credibility of petitioner Leodegaria was impeached; the adverse findings against her and her husband were predicated mainly on the erroneous perception that her evidence-in-chief is inadmissible.

Irregularities in the issuance of TCT No. 162403-R would not necessarily invalidate the same

Proceeding now to the issue on whether or not the nullification of TCT No. 162403-R is warranted, it must be borne in mind that the assailed document of title, as a government issuance, enjoys the presumption of regularity.⁶⁸ It was then incumbent upon the respondents to prove, by preponderant evidence, that the issuance of TCT No. 162403-R on May 21, 1980 was attended by fraud as they claim.

Respondents endeavored to overcome the burden of evidence in proving their allegation of fraud by presenting as witness Myrna Guinto, an employee of the RD of Pampanga, who testified that the original copy of OCT No. 207, the parent title of TCT No. 162403-R, is not in their custody as it is missing in their vault, and that the owner's duplicate certificate in its stead does not bear any annotation of cancelation or encumbrance.

We are inclined, however, to give more credence to the explanation given by the Registrar of Deeds, Lorna Salangang-Dee, that the presence of the owner's duplicate certificate in their vault signifies that there was most likely a transaction registered with the office concerning the same. Indeed, there could not be any other plausible reason except that it was as a result of the transaction that owner's duplicate certificate was surrendered to the RD.

In any event, even if we were to assume for the sake of argument that the issuance of TCT No. 162403-R was marred by irregularities, this would not necessarily impair petitioners' right of ownership over the subject lot. As held in *Rabaja Ranch Development Corporation v. AFP Retirement and Separation Benefits System*:⁶⁹

⁶⁸ RULES OF COURT, Rule 131, Sec. 3(m).
⁶⁹ 609 Phil. 660, 676-677 (2009).



x x x justice and equity demand that **the titleholder should not be made to bear the unfavorable effect of the mistake or negligence of the State's agents, in the absence of proof of his complicity in a fraud or of manifest damage to third persons.** The real purpose of the Torrens system is to quiet title to land and put a stop forever to any question as to the legality of the title, except claims that were noted in the certificate at the time of the registration or that may arise subsequent thereto. Otherwise, the integrity of the Torrens system shall forever be sullied by the ineptitude and inefficiency of land registration officials, who are ordinarily presumed to have regularly performed their duties. (Emphasis supplied)

Respondents, in the instant case, miserably failed to prove that petitioners were parties to the perceived fraud. Basic are the tenets that he who alleges must prove, and that mere allegation is not evidence and is not equivalent to proof. Here, the allegations relating to petitioners' participation to the fraud were nothing more than general averments that were never fleshed out to more specific fraudulent acts, let alone substantiated by the evidence on record.

To clarify, what was only established was that there were lapses in the observance of the standard operating procedure of the RD in its issuance of titles, based on the loss of the original title and the absence of an annotation of cancellation even on the duplicate owner's original. The performance or non-performance of these acts, however, cannot be attributed to herein petitioners, as registrants, for these are within the ambit of the duties and responsibilities of the officers of the RD.⁷⁰ All the registrant was required to do was to surrender the duplicate owner's original,⁷¹ which petitioners accomplished in the case at bar.

Worth recalling, too, is that contrary to respondents' claim, there was a valid document of conveyance that could justify the issuance of TCT No. 162403-R in petitioners' favor. In view of the validity of the Extrajudicial Settlement, the Court hesitates to conclude that the challenged TCT was fraudulently issued. At most, there appears to be, in this case, lapses in the standard operating procedure of the RD, which do not and could not automatically impair petitioners' ownership rights and title, but merely expose the negligent officers to possible liability.

⁷⁰ Sec. 57. Of P.D. 1529 provides:

Sec. 57. *Procedure in registration of conveyances.* An owner desiring to convey his registered land in fee simple shall execute and register a deed of conveyance in a form sufficient in law. The Register of Deeds shall thereafter make out in the registration book a new certificate of title to the grantee and shall prepare and deliver to him an owner's duplicate certificate. The Register of Deeds shall note upon the original and duplicate certificate the date of transfer, the volume and page of the registration book in which the new certificate is registered and a reference by number to the last preceding certificate. The original and the owner's duplicate of the grantor's certificate shall be stamped "cancelled." The deed of conveyance shall be filled and indorsed with the number and the place of registration of the certificate of title of the land conveyed.

⁷¹

Id.



Succinctly, we conclude from the foregoing disquisitions that: respondents' action has already prescribed; the Extrajudicial Settlement, though a private instrument, is nevertheless valid and binding on the heirs of the contracting parties; the Extrajudicial Settlement is admissible in evidence; and absent proof of complicity in the alleged fraud that attended the issuance of TCT No. 162403-R, petitioners' rights under the said document of title cannot be impaired. These corrections in judgment, to our mind, are considerations that severely outweigh and excuse petitioners' procedural transgressions.

WHEREFORE, premises considered, the instant petition is hereby **GRANTED**. The Entry of Judgment September 14, 2015 in CA-G.R. CV No. 100188 is hereby **LIFTED**. The March 26, 2015 Decision and September 14, 2015 Resolution of the Court of Appeals in CA-G.R. CV No. 100188, as well as the Decision dated June 28, 2012 and the Order dated December 14, 2012 in Civil Case No. G-06-3792 before the Regional Trial Court, Branch 49 of Guagua, Pampanga, are hereby **REVERSED** and **SET ASIDE**. Let a new judgment be issued:

1. Upholding the validity of Transfer Certificate of Title No. 162403-R registered in the name of petitioners Luisito and Leodegaria Pontigon; and
2. Dismissing the Complaint for Declaration of Nullity of Title and Real Estate Mortgage for lack of merit.

SO ORDERED.


JOSE PORTUGAL PEREZ
Associate Justice

WE CONCUR:


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

Pl. see dissenting opinion

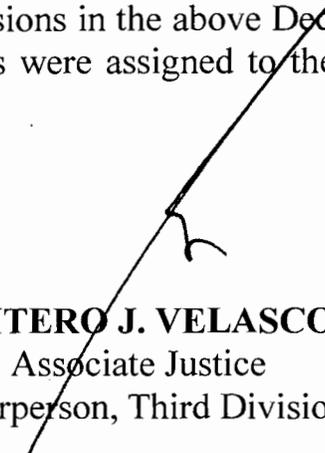
DIOSDADO M. PERALTA
 Associate Justice


BIENVENIDO L. REYES
 Associate Justice


FRANCIS H. JARDELEZA
 Associate Justice

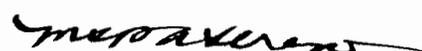
ATTESTATION

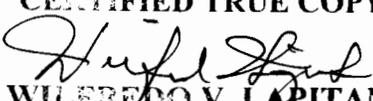
I attest that the conclusions in the above Decision had been reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.


PRESBITERO J. VELASCO, JR.
 Associate Justice
 Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's attestation, it is hereby certified that the conclusions in the above Decision had been reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.


MARIA LOURDES P. A. SERENO
 Chief Justice

CERTIFIED TRUE COPY

WILFREDO V. LAPITAN
 Division Clerk of Court
 Third Division
DEC 27 2016