



Republic of the Philippines
Supreme Court
Manila

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Wilfredo V. Lapitan
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Division Clerk of Court
Third Division

THIRD DIVISION

RENE H. IMPERIAL and G.R. NO. 178842
NIDSLAND RESOURCES AND
DEVELOPMENT CORPORATION,
Petitioners,

- versus -

HON. EDGAR L. ARMES, Presiding
Judge of Branch 4, Regional Trial
Court, 5th Judicial Region, Legazpi
City and ALFONSO B. CRUZ, JR.,
Respondents.

x-----x

ALFONSO B. CRUZ,
Petitioner,

G.R. NO. 195509

- versus -

Present:
VELASCO, JR., J., *Chairperson*
BERSAMIN,
REYES,
JARDELEZA, and
CAGUIOA,* JJ.

RENE IMPERIAL and NIDSLAND
RESOURCES AND
DEVELOPMENT CORPORATION,
Respondents.

Promulgated:

January 30, 2017

x-----*Wilfredo V. Lapitan*-----x

DECISION

JARDELEZA, J.:

An action for the annulment of a void judgment, like the remedy of appeal, is a statutory right. No party may invoke it unless a law expressly grants the right and identifies the tribunal which has jurisdiction over this

* Designated as Fifth Member of the Third Division per Special Order No. 2417 dated January 4, 2017.

action. While a void judgment is no judgment at all in legal contemplation, any action to challenge it must be done through the correct remedy and filed before the appropriate tribunal. Procedural remedies and rules of jurisdiction are in place in order to ensure that litigants are able to employ the proper legal tools to obtain complete relief from the tribunal fully equipped to grant it.

The Case

Before us are two (2) consolidated petitions for review on *certiorari* under Rule 45 of the Rules of Court. The first petition, docketed as G.R. No. 178842, is filed by Rene H. Imperial (Imperial) and NIDSLAND Resources and Development Corporation (NIDSLAND) against Alfonso B. Cruz, Jr. (Cruz). It seeks the reversal of the resolutions of the Court of Appeals (CA) dated March 6, 2007 and July 3, 2007, respectively. The second petition, G.R. No. 195509, filed by Cruz against Imperial and NIDSLAND, seeks the reversal of the Decision of the CA dated September 13, 2010.

The Facts

On September 24, 1993, Julian C. Napal (Napal) and Imperial entered into a Memorandum of Agreement¹ to organize a domestic corporation to be named NIDSLAND. Under the Memorandum of Agreement, Napal and Imperial agreed to engage in the real estate business. For his capital contribution to the corporation, Napal undertook to convey to NIDSLAND a tract of land consisting of four lots (the Property) covered by Transfer Certificate of Title (TCT) Nos. 37737, 37738, 37739 and 21026, and to Imperial a two hectare portion of the Property situated in Taysan, Legazpi City.² Napal and Imperial intended to develop this land into a subdivision. Imperial, on the other hand, as his contribution to NIDSLAND, committed to perform the following obligations: to settle Napal's obligation to the Rural Bank of Ligao, Inc., which was about to foreclose its mortgage on the Property; pay Napal's tax liabilities to the Bureau of Internal Revenue (BIR) which encumbered with a tax lien the largest portion of the Property; fund NIDSLAND's initial operating capital; and provide for Napal's personal drawings in an amount not exceeding ₱1,200,000.³

While Imperial faithfully complied with his obligations under the Memorandum of Agreement, Napal failed to convey to NIDSLAND a certain portion of the Property, in particular Lot 15-C covered by TCT No. 21026 (the Subject Property).⁴ On July 24, 1996, Napal sold the Subject Property to Cruz as evidenced by a Deed of Absolute Sale.⁵ While the Deed of Absolute Sale between Napal and Cruz bore the date July 24, 1996, the

¹ *Rollo* (G.R. No. 195509) pp. 176-178.

² *Id.* at 56, 176-177.

³ *Id.* at 176-177.

⁴ *Id.* at 56-57.

⁵ *Id.* at 126-127.

sale was registered in the Registry of Deeds of Legazpi City only on August 27, 1996.⁶

As Napal continued to refuse to convey the Subject Property to NIDSLAND under the Memorandum of Agreement, Imperial filed on July 30, 1996, for himself and in representation of NIDSLAND, a derivative suit (SEC Petition) before the Securities and Exchange Commission (SEC).⁷ This was filed after the sale to Cruz but before its registration. The case was docketed as SEC LEO Case No. 96-0004 (SEC Case).⁸ On the same day, Imperial also filed a notice of *lis pendens* for the SEC Case with the Registry of Deeds of Legazpi City. This was annotated on TCT No. 21026⁹ as Entry No. 99956/99957.¹⁰

Since the annotation of the *lis pendens* occurred after the sale of the Subject Property to Cruz but before its registration with the Registry of Deeds, the notice of *lis pendens* was carried over to the new TCT No. 43936¹¹ issued in Cruz's name.¹² Meanwhile, the SEC Case proceeded without the participation of Cruz who had possession of the new TCT covering the Subject Property during the continuation of the hearings.

On August 8, 1997 and during the pendency of the SEC Case, Imperial and NIDSLAND filed an action for annulment of sale against Cruz (Annulment of Sale Action) before the Regional Trial Court, Legazpi City (RTC Legazpi City). This was docketed as Civil Case No. 9419.¹³ On August 14, 1997, the RTC Legazpi City dismissed the action and held that it should have been filed in the original case where the decree of registration was entered.¹⁴ Imperial and NIDSLAND elevated the case to the CA through an appeal.¹⁵ The CA affirmed the RTC Legazpi City's ruling.¹⁶

On November 10, 1998, SEC Hearing Officer Santer G. Gonzales (SEC Hearing Officer Gonzales) rendered a Decision¹⁷ in favor of Imperial and NIDSLAND (SEC Decision). The Decision declared the Deed of Absolute Sale between Napal and Cruz void *ab initio* as the SEC found that the sale was simulated and was intentionally made to appear to have been perfected prior to the filing of the notice of *lis pendens*. Thus, the SEC ordered the cancellation of the TCT in the name of Cruz. Further, the SEC directed Napal to execute the proper deed of conveyance of the Subject

⁶ *Id.* at 75-76.

⁷ *Id.* at 101.

⁸ *Id.*

⁹ *Rollo* (G.R. No. 178842), pp. 183-187.

¹⁰ *Id.* at 187.

¹¹ *Rollo* (G.R. No. 195509), pp. 181-183.

¹² *Id.* at 181-183.

¹³ *Id.* at 39.

¹⁴ *Rollo* (G.R. No. 178842), p. 257.

¹⁵ *Id.*

¹⁶ *Rollo* (G.R. No. 195509), p. 12.

¹⁷ *Id.* at 101-122.

Property in favor of NIDSLAND. The SEC also mandated Napal to deliver the possession of the Subject Property to NIDSLAND.¹⁸

Since Napal did not appeal the SEC Decision, it became final and executory and was enforced on January 13, 1999. As ordered in the SEC Decision, a Deed of Conveyance¹⁹ was issued on the same date, transferring the Subject Property to NIDSLAND. TCT No. 43936 in the name of Cruz was cancelled and a new TCT No. 49730 was issued in the name of NIDSLAND on January 19, 1999.²⁰

On February 18, 1999, Napal filed with the CA a Petition for Annulment of Judgment under Rule 47 of the Rules of Court (Annulment of Judgment Action). This was docketed as CA-G.R. SP No. 51258.²¹ Napal sought the nullification of the SEC Decision as well as the orders and writs issued pursuant to it. Napal argued that the SEC has no jurisdiction over the SEC Case as it did not involve any intra-corporate controversy. On April 15, 1999, Cruz filed in the Annulment of Judgment Action a Motion to Join as Party-Petitioner.²² In his motion, Cruz claimed that he is a transferee *pendente lite* of the Subject Property.²³

The CA promulgated a Decision²⁴ on August 31, 1999 dismissing the Petition for Annulment of Judgment. The CA explained that Rule 47 of the Rules of Court is not available to annul the judgment of the SEC. According to the CA, the proper remedy in this case is a special civil action for *certiorari* and prohibition. None of the parties appealed the CA Decision. Thus, entry of judgment was made on November 16, 2000.²⁵

On January 22, 2001,²⁶ Cruz filed a pleading denominated as a "Petition" before RTC Legazpi City (RTC Petition),²⁷ which sought to nullify the SEC Decision. This was docketed as Civil Case No. SR-09 and raffled to Branch 4 of RTC Legazpi City.²⁸ In the RTC Petition, Cruz prayed for the following reliefs:

WHEREFORE, it is respectfully prayed that after hearing, judgment be rendered as follows:

- a) Declaring the Decision dated 10 November 1998 of respondent Gonzales to be null and void insofar as it affects the property rights of petitioner to the Subject Property

¹⁸ *Id.* at 121-122.

¹⁹ *Rollo* (G.R. No. 178842), pp. 230-232.

²⁰ *Rollo* (G.R. No. 195509), p. 9-11; *Rollo* (G.R. No. 178842), p. 13.

²¹ *Id.*

²² *Rollo* (G.R. No. 178842), pp. 233-250.

²³ *Id.* at 233; *Rollo* (G.R. No. 195509), p. 13.

²⁴ *Rollo*, (G.R. No. 178842), pp. 252-264. Penned by Associate Justice Romeo J. Callejo, Sr., concurred in by Associate Justices Quirino D. Abad Santos, Jr. and Mariano M. Umali.

²⁵ *Id.* at 266.

²⁶ After two years and 1 month from the SEC Decision.

²⁷ *Rollo* (G.R. No. 178842), pp. 172-179.

²⁸ *Rollo* (G.R. No. 195509), p. 14.

- b) Declaring the Deed of Conveyance dated January 13, 1999 as null and void for having been issued pursuant to an invalid and void judgment
- c) Declaring the cancellation of the TCT No. 43936 of petitioner, as well as the issuance of TCT No. 49730 (and its derivatives TCT Nos. 50398, 50399, 50400 and 50401) of respondent Nidslan, by respondent Register of Deeds of Legazpi City, to be invalid and illegal.
- d) Directing the respondent Register of Deeds of Legazpi City to duly cancel the TCT Nos. 50398, 50399, 50400 and 50401, and restore the status of TCT No. 43936 of plaintiff prior to its cancellation, or otherwise reconvey and/or issue a new title to the Subject Property in the name of plaintiff,
- e) Ordering respondents to solidarily pay to petitioner the amount of P500,000.00, as and for moral damages.
- f) Ordering respondents to solidarily pay attorney's fees in the amount of P100,000.00, appearance fees and costs of suit.²⁹

Presiding Judge Gregorio A. Consulta, without issuing summons, dismissed the Petition *motu proprio*.³⁰ He justified his dismissal on the ground that regional trial courts have no jurisdiction over the SEC and as such, an action assailing the decision of the SEC should be brought before the CA. As his motion for reconsideration of the decision was denied,³¹ Cruz elevated the case to the CA by way of a special civil action for *certiorari*. This was docketed as CA G.R. SP No. 65720.³² In a Decision³³ dated October 28, 2002, the CA held that RTC Legazpi City acted with grave abuse of discretion in dismissing the Petition, and therefore ordered that the case be remanded to RTC Legazpi City to be given due course.³⁴

In accordance with the Decision of the CA, the RTC Petition was re-docketed as Civil Case No. 10325 and was reraffled to Branch 3 of the RTC Legazpi City.³⁵ However, even before summons could be issued, Presiding Judge Henry B. Basilla issued an Order³⁶ dated April 15, 2004 dismissing the Petition. The Order stated that the RTC Petition failed to comply with the reglementary period and other procedural requirements under Rule 65 for the proper filing of a special civil action for *certiorari*.

However, upon Cruz's motion for reconsideration, Judge Basilla reversed his ruling in an Order³⁷ dated May 7, 2004. Thus, RTC Legazpi City summoned Imperial and NIDSLAND on July 1, 2004.³⁸ On July 30,

²⁹ *Rollo* (G.R. No. 178842), p. 177.

³⁰ *Id.* at 267.

³¹ *Id.* at 268-269.

³² *Rollo* (G.R. No. 195509), p. 14.

³³ *Rollo* (G.R. No. 178842), pp. 270-276.

³⁴ *Id.* at 275-276.

³⁵ *Id.* at 51.

³⁶ *Id.* at 277.

³⁷ *Id.* at 278.

³⁸ *Id.* at 279.

2004, Imperial and NIDSLAND filed a motion to dismiss³⁹ which was denied by Judge Basilla.⁴⁰

Imperial and NIDSLAND then failed to file their answer and were declared in default.⁴¹ Thus, Cruz was allowed to present evidence *ex-parte*. Judge Basilla eventually set aside the order of default upon motion of Imperial and NIDSLAND.⁴² Judge Basilla subsequently voluntarily inhibited himself, and the RTC Petition was reraffled to Branch 4 presided by Respondent Judge Edgar L. Armes (Respondent Judge Armes).⁴³

After trial, the parties to the RTC Petition submitted their respective memoranda. In Imperial and NIDSLAND's memorandum and supplemental memorandum, they again sought the dismissal of the RTC Petition on the ground of lack of jurisdiction. Judge Armes refused the dismissal.⁴⁴

On August 22, 2006, Imperial and NIDSLAND filed an Omnibus Motion. This was followed by a Supplemental Motion filed on September 7, 2006.⁴⁵ In the two motions, Imperial and NIDSLAND once again prayed for the dismissal of the RTC Petition and raised, for the first time, the following grounds:

1. The failure of herein private respondent CRUZ, as petitioner in Civil Case No. 10325, to state the required material dates in his initiatory Petition necessary in order to determine compliance with the 60-days reglementary period;
2. The failure of herein private respondent CRUZ, as petitioner in Civil Case No. 10325, to show by any allegation in his initiatory Petition that there is no appeal or any other plain, speedy and adequate remedy under the ordinary course of law against the assailed decision in SEC LEO Case No. 96-0004 to warrant recourse to the extra-ordinary writ of certiorari;
3. The indisputable fact that the Petition in Civil Case No. 10325 was filed by herein private respondent CRUZ far beyond the 60-days reglementary period allowed under Section 4 of Rule 65 of the Rules of Court in view of the admission by said respondent CRUZ in the Motion to Join as Party-Petitioner that he filed in CA-G.R. SP No. 51258 wherein he expressly admitted having received a copy of the assailed decision in SEC LEO Case No. 96-0004 in February, 1999; and

³⁹ *Id.* at 280-289.

⁴⁰ *Id.* at 290.

⁴¹ *Id.* at 291.

⁴² *Id.* at 292-293.

⁴³ *Id.* at 19, 52.

⁴⁴ *Id.* at 52.

⁴⁵ *Id.* at 20.



4. The decision in SEC LEO Case No. 96-0006, which has become final and had been fully executed, is binding against herein private respondent CRUZ, he being a successor-in-interest *pendente lite* to the title over the Subject Property, of therein respondent Napal, pursuant to Section 19 of Rule 3 of the Rules of Court.⁴⁶

Respondent Judge Armes denied the Omnibus Motion and Supplemental Motion in an Order dated September 21, 2006.⁴⁷ According to the Order, the issues raised by Imperial and NIDSLAND have already been settled by the CA in the *certiorari* case filed by Cruz. The Order held that the CA ruled that the RTC Legazpi City has jurisdiction over the case and even directed the latter to give due course to the RTC Petition.

Imperial and NIDSLAND filed a motion for reconsideration of this RTC Order on October 6, 2006.⁴⁸ In this motion, Imperial and NIDSLAND argued that the ruling of the CA pertained to an entirely different jurisdictional issue from that raised in their Omnibus Motion and Supplemental Omnibus Motion.⁴⁹ Respondent Judge Armes denied the motion for reconsideration in an Order⁵⁰ dated November 23, 2006. This Order reiterated that the CA's directive that the RTC Legazpi City give due course to the RTC Petition was unqualified and unconditional. Further, the Order explained that Imperial and NIDSLAND's arguments had no merit for the following reasons:

1. This action is geared to declare the nullity of a void judgment. In the case of *Paluwagan ng Bayan Savings Bank vs. King*, 172 SCRA 60, it was held that an action to declare the nullity of a void judgment does not prescribe, citing also *Ang Lam vs. Rosillosa and Santiago*, 86 Phil. 447-452. This imprescriptibility of the action places it beyond the ambit of the 60-day reglementary period under Sec. 4, Rule 65 of the Revised Rules of Court.
2. The petitioner in this case, not being a party in SEC LEO Case No. 96-0004, was never officially notified of the assailed Decision, dated November 10 1998 by the deciding authority simply because there was no basis therefor. The notice of the judgment, order or resolution, from which the 60-day period shall be computed under Sec. 4, Rule 65 of the Rules of Court, contemplates of an official notice from the deciding authority and not mere informal information from other sources like what happened in the case at bar[.] Since the official notice from the deciding authority in SEC LEO Case No. 96-0004 was not and is not forthcoming because there was no basis thereof, it follows that the

⁴⁶ *Id.* As quoted in Imperial and NIDSLAND's Petition for Review in G.R. No. 178842.

⁴⁷ *Rollo* (G.R. No. 178842), p. 113-114.

⁴⁸ *Id.* at 21.

⁴⁹ *Id.* at 21-22.

⁵⁰ *Id.* at 115-119.

60-day period aforesaid is not applicable to the case at bar.⁵¹

FIRST CONSOLIDATED CASE–G.R. NO. 178842

Imperial and NIDSLAND then filed a Petition for *Certiorari* and Prohibition⁵² under Rule 65 of the Rules of Court before the CA. This petition assailed the validity of Respondent Judge Armes' Orders dated September 21, 2006 and November 23, 2006. This was docketed as CA-G.R. SP No. 97823. The CA rendered a Resolution dated March 6, 2007⁵³ (First Assailed Resolution) dismissing Imperial and NIDSLAND's Petition for *Certiorari* and Prohibition for lack of merit. Imperial and NIDSLAND filed a motion for reconsideration which was denied by the CA in a Resolution dated July 3, 2007⁵⁴ (Second Assailed Resolution).

Hence, on August 2, 2007, Imperial and NIDSLAND filed this Petition for Review on *Certiorari*⁵⁵ under Rule 45 of the Rules of Court seeking a reversal of the two assailed resolutions (First Petition). In their petition, Imperial and NIDSLAND argue that the CA erred in affirming the RTC Decision on the RTC Petition. They argue that the CA should have reversed the error of the RTC Legazpi City in allowing the filing of the RTC Petition way beyond the 60-day period for the filing of a special civil action for *certiorari*. They stress that the RTC Petition was filed three and a half years after the finality of the SEC Decision and two years and three months from the time Cruz received notice of its promulgation. They argue that neither the CA nor Cruz was able to present any compelling reason for the relaxation of the reglementary period.

SECOND CONSOLIDATED CASE–G.R. No. 195509

While the First Petition was pending, RTC Legazpi City rendered a Decision⁵⁶ dated March 24, 2009 (RTC Main Decision). The RTC Legazpi City ruled that SEC Hearing Officer Gonzales acted with grave abuse of discretion when he annulled the Deed of Sale of the Subject Property between Napal and Cruz, ordered the cancellation of Cruz's TCT, and directed Napal to execute a deed of conveyance in favor of NIDSLAND. According to the RTC Main Decision, the CA has already definitively settled the issue of RTC Legazpi City's jurisdiction over the case. It held that there is no merit in Imperial and NIDSLAND's contention that the RTC Petition should have been dismissed for non-compliance with the 60-day period for the filing of a special civil action for *certiorari* and for failure of the RTC Petition to state the material dates. On the other hand, the RTC

⁵¹ *Id.* at 118.

⁵² *Id.* at 59-108.

⁵³ *Id.* at 48-55. Penned by Associate Justice Marina L. Buzon and concurred in by Associate Justices Edgardo F. Sundiam and Monina Arevalo-Zenarosa.

⁵⁴ *Id.* at 56-58.

⁵⁵ *Id.* at 3-47.

⁵⁶ *Rollo* (G.R. No. 195509), pp. 71-93.



Main Decision found that the SEC had no jurisdiction over Cruz and as such, in issuing orders affecting his ownership over the Subject Property, it violated Cruz's right not to be deprived of property without due process of law. Further, the RTC Main Decision stated that RTC Legazpi City cannot settle the issue as to the rightful ownership of the Subject Property in a special civil action for *certiorari*. The RTC Main Decision however affirmed the award of damages in favor of Imperial and NIDSLAND in the SEC Case. The dispositive portion held—

WHEREFORE, premises considered, judgment is hereby rendered in favor of the petitioner, as follows:

1. The Decision in SEC-LEO Case No. 96-0004, dated November 10, 1998, signed by respondent Santer G. Gonzales, is hereby DECLARED NULL AND VOID ONLY WITH RESPECT TO PARAGRAPHS 1 AND 2 OF THE DISPOSITIVE PORTION THEREOF regarding the annulment of the Deed of Sale of the subject property by Napal to petitioner Cruz, the cancellation of the title issued pursuant to the said sale in the name of petitioner Cruz and the directive to Napal to execute the deed of conveyance in favor of respondent herein Nidsland as well as the delivery of possession of the subject property to Nidsland and the designation of then Clerk of Court Atty. Antonio C. Bagagnan to execute the proper deed of conveyance in the event of refusal on the part of Napal.
2. The following documents are hereby DECLARED NULL AND VOID:
 - a) Deed of Conveyance, dated [January] 13, 1999 issued by Atty. Antonio C. Bagagnan, Clerk of Court MTCC, Legazpi City (Exh. "E" and Exh. "11")
 - b) TCT No. 49730 in the name of respondent Nidsland (Exh. "F" and Exh. "12")
 - c) TCT No. 50398 in the name of respondent Nidsland (Exh. "F-1" and Exh. "13")
 - d) TCT No. 50399 (Exh. "F-2" and Exh. "14")
 - e) TCT No. 50400 (Exh. "F-3" and Exh. "15")
 - f) TCT No. 50401 (Exh. "F-4" and Exh. "16")
3. Respondent Register of Deeds of Legazpi City Atty. Danilo B. Lorena is hereby ordered to cancel the foregoing titles, to wit: TCT Nos. 49730; 50398; 50399; 50400; and 50401;
4. Respondent Lorena is hereby further ordered to recall or lift the cancellation of TCT No. 43936 in the name of petitioner Alfonso Cruz, Jr., covering the subject property.

The parties' claims and counterclaims on their respective damages are hereby ordered DISMISSED.



SO ORDERED.⁵⁷

Aggrieved by the RTC Main Decision, Imperial and NIDSLAND filed before the CA an appeal under Rule 41 of the Rules of Court. In a Decision⁵⁸ dated September 13, 2010 (Second Assailed Decision), the CA reversed the RTC Decision. The dispositive portion of the Assailed Decision states—

WHEREFORE, the assailed decision dated March 24, 2009, issued by the Regional Trial Court, Branch 4, Legazpi City is hereby **REVERSED** and **SET ASIDE**; accordingly, Civil Case No. 10325 is hereby **DISMISSED**.

No costs.

SO ORDERED.⁵⁹

On March 24, 2011, Cruz filed a Petition for Review on *Certiorari*⁶⁰ (Second Petition) challenging the Second Assailed Decision. Cruz raised the following arguments: first, Cruz claimed that he is the registered owner of the Subject Property. He was thus an indispensable party to the SEC Case and as such, should have been impleaded. Since the SEC Case was a personal action and he was never impleaded, Cruz argues that the SEC never acquired jurisdiction over him. Thus, any decision cannot prejudice his property rights over the Subject Property. Further, as an indispensable party, any judgment obtained by Imperial and NIDSLAND in the SEC Case has no binding effect on Cruz. Second, Cruz also claims that since the property was already registered in his name, any deed of conveyance which Napal executed pursuant to the SEC Decision transfers no rights since Napal no longer had rights over the Subject Property at the time. Third, Cruz states that the CA erred when it held that he is already estopped from challenging the cancellation of his TCT. He explains that he could not have participated in the SEC Case to protect his rights. The SEC Case pertained to an intra-corporate dispute. As he was obviously not a stockholder of NIDSLAND, he had no basis to intervene. He also emphasizes that Imperial and NIDSLAND never prayed for the cancellation of his TCT in the SEC Case and thus, had no real reason to interfere until SEC Hearing Officer Gonzales ruled that his TCT should be cancelled. Cruz also raises the argument that he could not have filed a separate action to protect his rights over the property since Imperial and NIDSLAND had already filed the Annulment of Sale action against him for the annulment of the sale and cancellation of his TCT before RTC Legazpi City. Cruz claims that he actively participated in this case which attained finality only in 2003. According to Cruz, filing another case while this case was pending would have amounted to multiplicity of suits.

⁵⁷ *Id.* at 92-93.

⁵⁸ *Id.* at 52-67. Penned by Associate Justice Stephen C. Cruz and concurred in by Associate Justices Isaias P. Dican and Franchito N. Diamante.

⁵⁹ *Id.* at 67.

⁶⁰ *Id.* at 35-50.

We resolve the issues raised in these two consolidated cases.

The Issues

The core issue is whether RTC Legazpi City has jurisdiction to declare the nullity of the Decision of the SEC. To resolve this issue, we once again clarify the apparent clash of jurisdiction between the SEC and the ordinary courts in cases involving Presidential Decree No. 902-A⁶¹ (PD 902-A).

The Ruling of the Court

We rule that that the RTC Petition should have been dismissed for lack of jurisdiction. We likewise rule that the SEC Decision was issued with grave abuse of discretion amounting to an excess of jurisdiction.

Nature of a void judgment

A void judgment is no judgment at all in legal contemplation. In *Cañero v. University of the Philippines*⁶² we held that—

x x x A void judgment is not entitled to the respect accorded to a valid judgment, but may be entirely disregarded or declared inoperative by any tribunal in which effect is sought to be given to it. It has no legal or binding effect or efficacy for any purpose or at any place. It cannot affect, impair or create rights. It is not entitled to enforcement and is, ordinarily, no protection to those who seek to enforce. In other words, a void judgment is regarded as a nullity, and the situation is the same as it would be if there was no judgment. x x x⁶³

A judgment rendered without jurisdiction is a void judgment. This want of jurisdiction may pertain to lack of jurisdiction over the subject matter or over the person of one of the parties.

A void judgment may also arise from the tribunal's act constituting grave abuse of discretion amounting to lack or excess of jurisdiction. In *Yu v. Judge Reyes-Carpio*,⁶⁴ we explained—

The term “grave abuse of discretion” has a specific meaning. An act of a court or tribunal can only be considered as with grave abuse of discretion when such act is done in a “capricious or whimsical exercise of judgment as is equivalent to lack of jurisdiction.” x x x [T]he use of a petition for *certiorari* is restricted only to “truly

⁶¹ Reorganization of the Securities and Exchange Commission with Additional Power and Placing Said Agency Under the Administrative Supervision of the Office of the President (1976).

⁶² G.R. No. 156380, September 8, 2004, 437 SCRA 630.

⁶³ *Id.* at 644.

⁶⁴ G.R. No. 189207, June 15, 2011, 652 SCRA 341

extraordinary cases wherein the act of the lower court or quasi-judicial body is wholly void” x x x.⁶⁵

In *Guevarra v. Sandiganbayan, Fourth Division*,⁶⁶ we further explained—

x x x However, if the Sandiganbayan acts in excess or lack of jurisdiction, or with grave abuse of discretion amounting to excess or lack of jurisdiction in dismissing a criminal case, the dismissal is null and void. A tribunal acts without jurisdiction if it does not have the legal power to determine the case; there is excess of jurisdiction where a tribunal, being clothed with the power to determine the case, oversteps its authority as determined by law. A void judgment or order has no legal and binding effect, force or efficacy for any purpose. In contemplation of law, it is non-existent. Such judgment or order may be resisted in any action or proceeding whenever it is involved. x x x⁶⁷

To give flesh to these doctrines, the Rules of Court, particularly the 1997 Revised Rules on Civil Procedure, provides for a remedy that may be used to assail a void judgment on the ground of lack of jurisdiction. Rule 47 of the Rules of Court states that an action for the annulment of judgment may be filed before the CA to annul a void judgment of regional trial courts even after it has become final and executory. If the ground invoked is lack of jurisdiction, which we have explained as pertaining to both lack of jurisdiction over the subject matter and over the person, the action for the annulment of the judgment may be filed at any time for as long as estoppel has not yet set in. In cases where a tribunal’s action is tainted with grave abuse of discretion, Rule 65 of the Rules of Court provides the remedy of a special civil action for *certiorari* to nullify the act.

Void judgments may also be collaterally attacked. A collateral attack is done through an action which asks for a relief other than the declaration of the nullity of the judgment but requires such a determination if the issues raised are to be definitively settled.

Nature of the RTC Petition

The RTC Petition filed by Cruz has been treated by the CA and the parties as a special civil action for *certiorari*. The RTC Petition, however, prays for the nullification of the SEC Decision and thus purports to be an action for the annulment of a void judgment. Ascertaining the true nature of the RTC Petition is crucial as it determines whether Cruz properly invoked the correct remedy in assailing the SEC Decision.

⁶⁵ *Id.* at 348.

⁶⁶ G.R. Nos. 138792-804, March 31, 2005, 454 SCRA 372.

⁶⁷ *Id.* at 382.

The nature of an action is determined by the material allegations in the complaint and the type of relief prayed for.⁶⁸ We have examined the RTC Petition, and we rule that contrary to the findings of the lower courts, it is an action for the annulment of judgment on the ground of lack of jurisdiction. The meat of the RTC Petition's allegation is that the SEC declared as void *ab initio* the sale between Napal and Cruz without impleading Cruz in the proceedings. The SEC also had no power to order the transfer of title over the Subject Property from Cruz to NIDSLAND because Cruz was never heard in these proceedings. Cruz asserts that the SEC never acquired jurisdiction over his person. Cruz thus prayed in the RTC Petition that the SEC Decision be declared null and void.

The RTC Petition clearly captures the material allegations in a petition for annulment of judgment on the ground of lack of jurisdiction over the person of one of the parties under Rule 47 of the Rules of Court. In sharp contrast, the RTC Petition makes no allegations that the SEC Decision was rendered with grave abuse of discretion. It cannot be treated as a special civil action for *certiorari* under Rule 65.

The necessary question before us now is whether Cruz invoked the proper remedy. There have been several attempts to use an action for annulment of judgment under Rule 47 of the Rules of Court to set aside a void judgment of a quasi-judicial body. We retrace our jurisprudence on the matter in order to ascertain if this remedy may be properly invoked. A review of the relevant cases reveals two interrelated issues. First, whether this remedy is available to set aside a void judgment of a quasi-judicial body; and second, which tribunal has jurisdiction over it.

Jurisdiction over annulment of judgment of quasi-judicial bodies

Prior to *Batas Pambansa Bilang 129 (BP 129)*,⁶⁹ we had the chance to rule on the question of jurisdiction over the annulment of judgment of quasi-judicial bodies in *BF Northwest Homeowners Association, Inc. v. Intermediate Appellate Court*.⁷⁰ In that case, we held that regional trial courts can annul the judgment of quasi-judicial bodies which are of the same rank as courts of first instance. This ruling established two things: first, an action for the annulment of judgment is a remedy available against a void judgment of a quasi-judicial body. Second, regional trial courts had jurisdiction whenever the quasi-judicial body involved is of inferior rank.

With the passage of BP 129, this doctrine appears to have been altered. Section 9(a) of BP 129 expressly vested the CA with jurisdiction over annulment of judgments of regional trial courts. Notably, it does not

⁶⁸ *Hilario v. Salvador*, G.R. No. 160384, April 29, 2005, 457 SCRA 815, 824.

⁶⁹ The Judiciary Reorganization Act of 1980.

⁷⁰ G.R. No. L-72370, May 29, 1987, 150 SCRA 543.

mention jurisdiction over annulment of judgment of quasi-judicial bodies. In fact, quasi-judicial bodies are mentioned only in Section 9(3)⁷¹ which provides for the CA's appellate jurisdiction over their judgments, orders, resolutions and awards.

In 1997, the new rules of civil procedure took effect. These rules provided, for the first time, a remedy called annulment of judgment on the ground of extrinsic fraud and lack of jurisdiction. Rule 47, however, limits its application to regional trial courts and municipal trial courts.

We had the opportunity to apply these relevant provisions in the 2000 case of *Cole v. Court of Appeals*.⁷² In this case, we explained that the CA has no jurisdiction over a petition for annulment of judgment under Rule 47 against a decision of the Housing and Land Use Regulatory Board, a quasi-judicial body. Rule 47 allows a resort to the CA only in instances where the judgment challenged was rendered by regional trial courts. This was also the import of our ruling in *Elcee Farms, Inc. v. Semillano*⁷³ when we held that the CA has no jurisdiction over the annulment of judgment of the National Labor Relations Commission.

This was reiterated in the 2005 case *Galang v. Court of Appeals*⁷⁴ which dealt with decisions rendered by the SEC. In that case, we categorically ruled that the CA has no jurisdiction over annulment of a void judgment rendered by the SEC since Rule 47 of the Rules of Court clearly states that this jurisdiction only pertains to judgments rendered by regional trial courts.

*Springfield Development Corporation, Inc. v. Presiding Judge, RTC, Misamis Oriental, Br. 40, Cagayan de Oro City*⁷⁵ summarized our foregoing rulings in determining whether the CA has jurisdiction to annul a void judgment of the Department of Agrarian Reform Adjudication Board (DARAB). This case was a significant development in the then growing jurisprudence which all merely said that an action to annul a judgment of a quasi-judicial body cannot be brought before the CA, and which did not categorically state whether the action may be filed before any other court.

In *Springfield*, we explained that regional trial courts have no jurisdiction to annul judgments of quasi-judicial bodies of equal rank. It then

⁷¹ Section 9. *Jurisdiction*. – The Court of Appeals shall exercise:

x x x

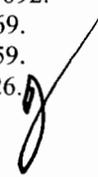
3. Exclusive appellate jurisdiction over all final judgments, resolutions, orders or awards of Regional Trial Courts and quasi-judicial agencies, instrumentalities, boards or commission, including the Securities and Exchange Commission, the Social Security Commission, the Employees Compensation Commission and the Civil Service Commission, Except those falling within the appellate jurisdiction of the Supreme Court in accordance with the Constitution, the Labor Code of the Philippines under Presidential Decree No. 442, as amended, the provisions of this Act, and of subparagraph (1) of the third paragraph and subparagraph 4 of the fourth paragraph of Section 17 of the Judiciary Act of 1948.

⁷² G.R. No. 137551, December 26, 2000, 348 SCRA 692.

⁷³ G.R. No. 150286, October 17, 2003, 413 SCRA 669.

⁷⁴ G.R. No. 139448, October 11, 2005, 472 SCRA 259.

⁷⁵ G.R. No. 142628, February 6, 2007, 514 SCRA 326.



proceeded to state that the CA also has no jurisdiction over such an action. *Springfield* emphasized that Section 9 of BP 129 and Rule 47 of the Rules of Court both state that the CA has jurisdiction over annulment of judgments of regional trial courts only. We ruled in this case that the “silence of B.P. Blg. 129 on the jurisdiction of the CA to annul judgments or final orders and resolutions of quasi-judicial bodies like the DARAB indicates its lack of such authority.”⁷⁶ While this case explained that neither the regional trial courts nor the CA possess jurisdiction over an action to annul the judgment of quasi-judicial bodies, it did not categorically state that the remedy itself does not exist in the first place. Notably, we disposed of this case by remanding the action filed before us—a special civil action for prohibition—to the CA because the matter required a determination of facts which this Court cannot do. We then held that the CA may rule upon the validity of the judgment by noting that a void judgment may be collaterally attacked in a proceeding such as an action for prohibition.⁷⁷

The seeming confusion in the string of cases pertaining to the jurisdiction over petitions for annulment of judgment of quasi-judicial bodies is clarified when these cases are read in conjunction with *Macalalag v. Ombudsman*.⁷⁸ While we repeated our consistent ruling that Rule 47 of the Rules of Court only applies to judgments of regional trial courts, *Macalalag* also explains that an action for the annulment of judgment is similar in nature to an appeal—both are merely statutory. No right exists unless expressly granted by law.⁷⁹ In *Macalalag*, we implied that the key to determining whether this remedy may be had and where such action may be filed is to ascertain whether there is a law expressly allowing a resort to this action before a particular tribunal. This then requires an examination of the laws and rules relevant to a specified quasi-judicial body. While it is correct that both the regional trial courts and the CA cannot take cognizance of a petition for annulment of judgment of a quasi-judicial body under Rule 47 of the Rules of Court, they may nevertheless do so, if a law categorically provides for such a remedy and clearly provides them with jurisdiction.

Applying this to the present case, we rule that there is no law at the time pertinent to this case, which allows the filing of a petition for annulment of judgment before the regional trial courts and the CA to set aside a void judgment of the SEC on the basis of lack of jurisdiction. We hasten to emphasize, however, that this pertains only to cases filed prior to Republic Act No. 8799⁸⁰ (RA 8799) which transferred the jurisdiction over intra-corporate disputes to regional trial courts designated as commercial courts. As to the latter, Rule 47 clearly applies.

This leads to the conclusion that the RTC Petition is not the proper remedy to assail the SEC Decision. Since it is an action for the annulment of

⁷⁶ *Id.* at 340.

⁷⁷ *Id.* at 344.

⁷⁸ G.R. No. 147995, March 4, 2004, 424 SCRA 741.

⁷⁹ *Id.* at 745-746.

⁸⁰ The Securities Regulation Code (2000).

judgment, the RTC Petition cannot prosper as we have already ruled that this remedy is not available in this particular case.

However, the error in Cruz's RTC Petition does not automatically warrant a dismissal of these proceedings. We rule that the SEC, in nullifying the sale between Napal and Cruz and in ordering the cancellation of Cruz's TCTs in favor of NIDSLAND, overstepped its jurisdiction. The SEC Decision was rendered with grave abuse of discretion.

*Grave Abuse of Discretion and
the SEC's Jurisdiction*

In 1976, PD 902-A vested the SEC with the quasi-judicial power over intra-corporate disputes. While this jurisdiction was eventually transferred to regional trial courts designated as special commercial courts by The Securities Regulation Code in 2000, the SEC had the authority over intra-corporate disputes at the time relevant to this case.

Through the years that the SEC had quasi-judicial power over intra-corporate controversies, this Court explained the delineation of jurisdiction between the trial courts and the SEC. Our finding in this case that the SEC acted with grave abuse of discretion is rooted on the proper understanding of the limits of the jurisdiction of the SEC. We now review this Court's pertinent rulings on the jurisdiction of the SEC.

Under Section 5 of PD 902-A, the applicable law at the time the SEC Case was filed, the SEC has original and exclusive jurisdiction to hear and decide cases involving the following:

- (a) Devices or schemes employed by or any acts, of the board of directors, business associates, its officers or partnership, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of the stockholder, partners, members of associations or organizations registered with the Commission;
 - (b) Controversies arising out of intra-corporate or partnership relations, between and among stockholders, members, or associates; between any or all of them and the corporation, partnership or association of which they are stockholders, members or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity; and
 - (c) Controversies in the election or appointments of directors, trustees, officers or managers of such corporations, partnerships or associations.
- 

In *Union Glass & Container Corporation v. Securities and Exchange Commission*⁸¹ we said that “the law [PD 902-A] explicitly specified and delimited its jurisdiction to matters intrinsically connected with the regulation of corporations, partnerships and associations and those dealing with the internal affairs of such corporations, partnerships or associations.”⁸² We added that in order for the SEC to take cognizance of a case, the controversy must pertain to any of the following relationships: (1) between the corporation, partnership or association and the public; (2) between the corporation, partnership or association and the state in so far as its franchise, permit or license to operate is concerned; (3) between the corporation, partnership or association and its stockholders, partners, members or officers; and (4) among the stockholders, partners or associates themselves.⁸³

This is the *relationship test*, under which the existence of any of these relationships vested the SEC with jurisdiction. In *Abejo v. De la Cruz*,⁸⁴ we even declared that “an intra-corporate controversy is one which arises between a stockholder and the corporation. There is no distinction, qualification, nor any exemption whatsoever. The provision is broad and covers all kinds of controversies between stockholders and corporations.”⁸⁵

Later decisions of this Court, however, have moved away from this rather simplistic determination of what constitutes an intra-corporate controversy. In the 1990 case of *Viray v. Court of Appeals*,⁸⁶ we held, thus:

The establishment of any of the relationships mentioned in *Union* will not necessarily always confer jurisdiction over the dispute on the SEC to the exclusion of the regular courts. The statement made in one case that the rule admits of no exceptions or distinctions is not that absolute. The better policy in determining which body has jurisdiction over a case would be to consider not only the status or relationship of the parties but also the nature of the question that is the subject of their controversy.⁸⁷

This is the *controversy test*. In *Lozano v. De los Santos*,⁸⁸ we explained that the controversy test requires that the dispute among the parties be intrinsically connected with the regulation of the corporation, partnership or association.⁸⁹ In *Speed Distribution Corp. v. Court of Appeals*,⁹⁰ we added that “[i]f the nature of the controversy involves matters

⁸¹ G.R. No. L-64013, November 28, 1983, 126 SCRA 31.

⁸² *Id.* at 38.

⁸³ *Id.*; *Rivera v. Florendo*, G.R. No. L-57586, October 8, 1986, 144 SCRA 643; *Abejo v. De la Cruz*, G.R. Nos. L-63558 & L-68450-51, May 19, 1987, 149 SCRA 654, 671.

⁸⁴ G.R. Nos. L-63558 & L-68450-51, May 19, 1987, 149 SCRA 654.

⁸⁵ *Id.* at 666.

⁸⁶ G.R. No. 92481, November 9, 1990, 191 SCRA 308.

⁸⁷ *Id.* at 322-323. Emphasis supplied.

⁸⁸ G.R. No. 125221, June 19, 1997, 274 SCRA 452.

⁸⁹ *Id.* at 457-458. See also *Saura v. Saura, Jr.*, G.R. No. 136159, September 1, 1999, 313 SCRA 465; and *Speed Distributing Corp. v. Court of Appeals*, G.R. No. 149351, March 17, 2004, 425 SCRA 691.

⁹⁰ *Supra.*

that are purely civil in character, necessarily, the case does not involve an intra-corporate controversy.”⁹¹

Taking all these holdings together, the issue of whether the SEC has the power to hear and decide a case depends on two determinants: (1) the status or relationship of the parties; and (2) the nature of the question that is the subject of their controversy.⁹²

The application of these two tests has allowed for the proper delineation of the seeming overlap in the jurisdiction of the SEC and the courts.

By way of illustration, in *Union Glass* we ruled that the action filed by the dissenting stockholders against their corporation Pioneer Glass Manufacturing (Pioneer) questioning its *dacion en pago* of Pioneer’s plant in favor of Union Glass is an intra-corporate dispute as it clearly pertained to the internal affairs of the corporation. However, we held that the recovery of the possession of the plant should have been filed with the trial court because the SEC possesses no jurisdiction over Union Glass (the third-party purchaser) because it has no intra-corporate relationship with any of the parties.

In *Embassy Farms, Inc. v. Court of Appeals*,⁹³ the respondent, under a memorandum of agreement, undertook to deliver certain parcels of land and shares of stock of Embassy Farms, Inc. to the other party in exchange for the latter’s payment of a certain amount. When the other party failed to comply with his obligation to pay the amount, we held that the conflict arising between them pertains to their contractual obligations under the memorandum of agreement. It does not refer to the enforcement of rights and obligations under the Corporation Code or the internal or intra-corporate affairs of the corporation.

In *Saura v. Saura, Jr.*,⁹⁴ certain stockholders sold a parcel of land to a corporation without the consent of the other stockholders. When the latter filed an action for the annulment of the sale against the purchasing corporation and the selling stockholders before the trial court, the question of whether the case is an intra-corporate dispute arose. Applying the two tests, we found that the case is not intra-corporate. The action was ultimately directed against a third party even if the selling stockholders of the corporation were also impleaded.

Further, in *Intestate Estate of Alexander T. Ty v. Court of Appeals*,⁹⁵ where a stockholder filed an action against the estate of another stockholder for the annulment of a sale of shares which the former claims was simulated

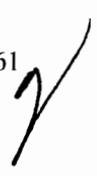
⁹¹ *Id.* at 707.

⁹² *Lozano v. De los Santos*, *supra* note 87 at 457.

⁹³ G.R. No. 80682, August 13, 1990, 188 SCRA 492.

⁹⁴ G.R. No. 136159, September 1, 1999, 313 SCRA 465.

⁹⁵ G.R. Nos. 112872 & 114672, April 19, 2001, 356 SCRA 661



for lack of consideration, we ruled that the jurisdiction properly belongs to the regional trial court. We explained that “[t]he determination whether a contract is simulated or not is an issue that could be resolved by applying pertinent provisions of the Civil Code, particularly those relative to obligations and contracts. Disputes concerning the application of the Civil Code are properly cognizable by courts of general jurisdiction.”⁹⁶

The development of both the concept and application of the *relationship test* and *controversy test* reveals a growing emphasis on the delineated jurisdiction between the SEC and ordinary courts. The delineation is based on the very purpose for which the SEC was granted quasi-judicial powers in the first place. Under PD 902-A, the SEC exercised jurisdiction over intra-corporate controversies precisely because it is a highly-specialized administrative body in specialized corporate matters. It follows therefore, that where the controversy does not call for the use of any technical expertise, but the application of general laws, the case is cognizable by the ordinary courts. In *Macapalan v. Katalbas-Moscardon*,⁹⁷ we said—

It is true that the trend is towards vesting administrative bodies like the SEC with the power to adjudicate matters coming under their particular specialization, to insure a more knowledgeable solution of the problems submitted to them. This would also relieve the regular courts of a substantial number of cases that would otherwise swell their already clogged dockets. But as expedient as this policy may be, it should not deprive the courts of justice of their power to decide ordinary cases in accordance with the general laws that do not require any particular expertise or training to interpret and apply. Otherwise, the creeping take-over by the administrative agencies of the judicial power vested in the courts would render the judiciary virtually impotent in the discharge of the duties assigned to it by the Constitution.⁹⁸

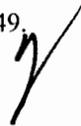
Applying these principles to this case, we rule that the SEC does not have jurisdiction to order the cancellation of the sale between Napal and Cruz. It also has no jurisdiction to cancel Cruz’s TCT and order its transfer to NIDSLAND.

To assail the validity of the sale, Imperial and NIDSLAND sought to prove that the sale to Cruz was simulated. This involves the application of the law on sales. As we have already held in *Intestate Estate of Alexander T. Ty*, the issue of whether a sale is simulated falls within the jurisdiction of ordinary civil courts. It does not concern an adjudication of the rights of Imperial, NIDSLAND and Napal under the Corporation Code and the internal rules of the corporation. The resolution of these questions requires

⁹⁶ *Id.* at 668.

⁹⁷ G.R. No. 101711, October 1, 1993, 227 SCRA 49.

⁹⁸ *Id.* at 55.



the application of an entire gamut of laws that goes well beyond the expertise of the SEC.

Meanwhile, the question of whether Cruz's TCT should be cancelled goes into the proper application of Presidential Decree No. 1529⁹⁹ and related doctrines. Specifically, there is a need to take into consideration whether the SEC Petition is a collateral attack on the certificate of title which goes against the well-established rule of indefeasibility. The resolution of this question demands the application of our laws on land title and deeds, a matter outside the ambit of the SEC's special competence.

Indeed, our jurisprudence has leaned in favor of recognizing the jurisdiction of quasi-judicial bodies. However, this jurisdiction must always be viewed within the context of its grant. The law vests quasi-judicial powers to administrative bodies over matters that require their particular competence and specialized expertise. This grant of jurisdiction is not and should not be justification to deprive courts of law of their jurisdiction as determined by law and the Constitution. Courts of law are the instruments for the adjudication of legal disputes. In a system of government where courts of law exist alongside quasi-judicial bodies, the need to harmonize apparent conflicts in jurisdiction require a determination of whether the matter to be resolved pertains to a general question of law which belongs to ordinary courts or whether it refers to a highly specialized question that can be better resolved by a quasi-judicial body in accordance with its power vested by law.

In overstepping its jurisdiction, the SEC committed grave abuse of discretion.

Grave abuse of discretion is the capricious and whimsical exercise of judgment. It is the exercise of a power in an arbitrary manner. It must be so patent or gross as to amount to the evasion of a positive duty or to a virtual refusal to perform a duty enjoined or to act at all in contemplation of law. In *Air Transportation Office v. Court of Appeals*,¹⁰⁰ we explained that grave abuse of discretion exists when the act is: (1) done contrary to the Constitution, the law or jurisprudence; or (2) executed whimsically, capriciously or arbitrarily out of malice, ill will or personal bias.¹⁰¹

In *Thenamaris Philippines Inc. v. Court of Appeals*,¹⁰² we ruled that grave abuse of discretion exists where the assailed decision of the CA displayed patent errors. In *Air Transportation Office*, the patent violation of the Rules of Court merited a finding that there was grave abuse of discretion.

⁹⁹ The Property Registration Decree (1978).

¹⁰⁰ G.R. No. 173616, June 25, 2014, 727 SCRA 196.

¹⁰¹ *Id.* at 221.

¹⁰² G.R. No. 191215, February 3, 2014, 715 SCRA 153.



In this case, the SEC, in rendering the decision, disregarded established law and jurisprudence on the jurisdiction of the SEC. Further, it adjudicated on the rights of Cruz, cancelled the deed of sale, and took away his property without giving him the opportunity to be heard. It is a breach of the basic requirements of due process.

Further, the incorrectness and impracticality of presenting these issues before the SEC are highlighted by the reliefs granted by SEC Hearing Officer Gonzales in the SEC Case. The SEC annulled the deed of sale between Napal and Cruz. This was based on evidence presented during the SEC Hearing which consisted of Imperial's testimony that the price that Cruz paid for the Subject Property was grossly below its value. While we will not delve into the propriety of the SEC's factual findings, we note that there appears nothing in the record, other than Imperial's statements, to support the contention that the consideration was indeed grossly below the actual value of the Subject Property. Furthermore, the SEC also found that the Deed of Sale was antedated to make it appear that it took place prior to the annotation of the notice of *lis pendens*. Again, this was based solely on Imperial's testimony during the SEC Hearing. We note that there was nothing in the records, other than Imperial's bare statement, to establish this.

The SEC Decision even went further and ordered the cancellation of Cruz's TCT. This did not take into consideration the indefeasibility of a Torrens title. While this is not a question that we seek to resolve in these consolidated cases, we emphasize that a proper adjudication of this matter requires, at the very least, an analysis of the effect of the notice of *lis pendens*, the rights of a transferee *pendente lite*, and the propriety of a collateral attack on a certificate of title. Clearly, the SEC is not the appropriate forum to delve into these civil law concepts.

The SEC also does not possess the expertise to go into the reception of evidence and the conduct of hearings geared for the purpose of resolving issues proper for a civil action. The resolution of a civil action requires preponderance of evidence as a burden of proof. On the other hand, cases before quasi-judicial bodies require only substantial evidence. Hence, the propriety of annulling a sale and cancelling a Torrens title—which are in the nature of a civil action—on the basis merely of substantial evidence determined by an administrative body raises due process concerns.

Effects of a void judgment

When grave abuse of discretion taints a judgment, it becomes wholly void. It may be challenged by direct action which has for its object the declaration of the nullity of the judgment. It may also be set aside through a collateral attack.

Thus, in *Guevarra*, we allowed the filing of a motion for reconsideration even if it was made beyond the reglementary 15-day period.

We based our ruling on the ground that the order challenged by the motion for reconsideration was issued with grave abuse of discretion and is null and void. We explained—

Such judgment or order may be resisted in any action or proceeding whenever it is involved. It is not even necessary to take any steps to vacate or avoid a void judgment or final order; it may simply be ignored.¹⁰³

Our ruling in *Gonzales v. Solid Cement Corporation*¹⁰⁴ is more unequivocal. In this case, we found that the CA committed grave abuse of discretion amounting to lack or excess of jurisdiction, therefore acting outside the contemplation of law. Hence, even when the period to assail the CA decision had already lapsed, we ruled that it did not become final and immutable. A void judgment never becomes final. We ruled thus—

The CA's actions outside its jurisdiction cannot produce legal effects and cannot likewise be perpetuated by a simple reference to the principle of immutability of final judgment; a void decision can never become final. "The only **exceptions to the rule** on the immutability of final judgments are (1) the correction of clerical errors, (2) the so-called *nunc pro tunc* entries which cause no prejudice to any party, and (3) void judgments." x x x¹⁰⁵

More, our ruling in *Banco Español-Filipino v. Palanca*¹⁰⁶ on the effects of a void judgment has reappeared consistently in jurisprudence touching upon the matter. In this case, we said that a void judgment is "a lawless thing, which can be treated as an outlaw and slain at sight, or ignored wherever and whenever it exhibits its head."¹⁰⁷ In concrete terms, this means that a void judgment creates no rights and imposes no duties. Any act performed pursuant to it and any claim emanating from it have no legal effect.¹⁰⁸ Thus, in *Heirs of Mayor Nemencio Galvez v. Court of Appeals*,¹⁰⁹ we nullified an auction sale of a land as well as the resulting deed of sale and transfer certificate of title as they were the offshoot of a writ of execution carried pursuant to a void judgment.

Hence, because the SEC Decision was issued with grave abuse of discretion and is therefore void, all acts emanating from it have no force and effect. Thus, the Deed of Conveyance issued pursuant to it has no legal effect.

Nevertheless, while the certificates of title issued in the name of NIDSLAND arose from a void judgment, this Court cannot nullify them in

¹⁰³ *Supra* note 65 at 382-383.

¹⁰⁴ G.R. No. 198423, October 23, 2012, 684 SCRA 344.

¹⁰⁵ *Id.* at 351. Emphasis in the original.

¹⁰⁶ 37 Phil. 921 (1918).

¹⁰⁷ *Id.* at 949.

¹⁰⁸ *Land Bank of the Philippines v. Orilla*, G.R. No. 194168, February 13, 2013, 690 SCRA 610, 619.

¹⁰⁹ G.R. No. 119193, March 29, 1996, 255 SCRA 672.



these proceedings. The indefeasibility of a Torrens title prevents us from doing so. Further, we are bound by rules on jurisdiction and the nature of the proceedings before us.

Our Torrens system serves a very important purpose: As a general rule, a Torrens certificate of title is conclusive proof of ownership. Thus, provided that the requirements of law are met, a certificate of title under the Torrens system of registration is indefeasible. The value of this rule finds real meaning when viewed in practical terms. A registration under the Torrens system confirms that the person whose name appears as owner of the land is indeed the true owner. Except for specific circumstances allowed by law, a person who registers his or her ownership over a piece of land makes his or her title indefeasible because the law does not allow any other person to attack or challenge it. Because the title is indefeasible, third persons interested in the registered land can simply look at the certificate of title and rely on the information stated in it. This creates stability in our system of registration. This rule is so zealously protected that our laws even prohibit a collateral attack of a void certificate of title.

This is the spirit that infused our ruling in *Heirs of Spouses Benito Gavino and Juana Euste v. Court of Appeals*.¹¹⁰ In this case, we explained that the general rule that the direct result of a void contract cannot be valid is inapplicable when the integrity of the Torrens system is involved. Thus, a void certificate of title cannot be cancelled in a proceeding not instituted for the purpose. We further said—

x x x The effect of such outright cancellation will be to impair public confidence in the certificate of title. The sanctity of the Torrens system must be preserved; otherwise, everyone dealing with the property registered under the system will have to inquire in every instance as to whether the title had been regularly or irregularly issued, contrary to the evident purpose of the law. Every person dealing with the registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go behind the certificate to determine the condition of the property.¹¹¹

We cited this ruling in subsequent cases such as *Rabaja Ranch Development Corporation v. AFP Retirement and Separation Benefits System*,¹¹² *Spouses Chua v. Soriano*,¹¹³ and *Republic v. Orfinada, Sr.*¹¹⁴ The stability and reliability of the Torrens system is so important that we cannot, in this case, undermine it for the sake of expediency.

¹¹⁰ G.R. No. 120154, June 29, 1998, 291 SCRA 495.

¹¹¹ *Id.* at 509. Citation omitted.

¹¹² G.R. No. 177181, July 7, 2009, 592 SCRA 201, 217-218.

¹¹³ G.R. No. 150066, April 13, 2007, 521 SCRA 68, 82.

¹¹⁴ G.R. No. 141145, November 12, 2004, 442 SCRA 342, 359.

Hence, we cannot order the direct cancellation of the certificates of title issued to NIDSLAND even if they are the direct result of a void decision. The nullity of the certificates of title should be threshed out in a petition for cancellation of title brought before the proper court.¹¹⁵

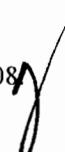
Moreover, there are procedural barriers that prevent us from determining the validity of the certificates of title questioned in this case. First, we do not have jurisdiction over the cancellation of certificates of title. Second, the nature of the action before us bars us from going into the certificates of title themselves. We emphasize that this case is a petition for review on *certiorari* of an action for annulment of judgment on the ground of lack of jurisdiction. Our ruling is anchored on the lack of jurisdiction of the SEC to annul the sale to Cruz and order the cancellation of the certificates of title. In this Decision, we emphasized that the proper jurisdiction to annul the sale and to cancel the certificates of title belongs to the regular courts, in particular, the regional trial courts. We must thus also respect the rule on jurisdiction and exercise restraint in this case. The proper action to cancel the void certificates of title must be brought before the tribunal designated by law to possess jurisdiction over the matter. The proper party may, however, use this Decision as it definitively settles that the certificates of title issued to NIDSLAND arose out of a void judgment and as such, should have no force and effect. This Decision is *res judicata* as to this question.

Further, we also cannot rule on the validity of the sale of the Subject Property to Cruz as well as Napal's obligation to Imperial and NIDSLAND under the Memorandum of Agreement. These matters require the presentation of facts before the proper forum and through appropriate procedural remedies. While we endeavor to fully settle legal disputes brought before us, we must also place premium on the importance of rules of procedure. Rules of procedure serve to protect the interests of litigants who seek redress before the courts. They ensure that litigants plead before the proper forum that has the necessary expertise and legal tools to fully resolve a legal problem. They also ensure that litigants employ the proper remedies that will allow them to successfully obtain the appropriate relief. With this in mind, litigants must be more circumspect in invoking the jurisdiction of the various tribunals and the multiple remedies available to them.

WHEREFORE, the Court of Appeals' Resolution dated March 6, 2007 in the First Consolidated Case is **REVERSED** and **SET ASIDE**. Further, we rule that Branch 4, Regional Trial Court, Legazpi City has no jurisdiction over Cruz's Petition. Thus, the Regional Trial Court's Decision dated March 24, 2009 is **NULLIFIED**.

The Court of Appeals' Decision dated September 13, 2010 in the Second Consolidated Case is also **REVERSED** and **SET ASIDE**. We rule

¹¹⁵ Presidential Decree No. 1529, Sec. 108



that the Securities and Exchange Commission's Decision dated November 10, 1998 is **VOID**. Thus, the Deed of Conveyance dated January 13, 1999 executed in compliance with this Decision is **NULLIFIED**. The proper parties can file the appropriate petition for cancellation of title in the trial court which has jurisdiction to nullify the certificates of title issued to NIDSLAND by virtue of the void SEC Decision.

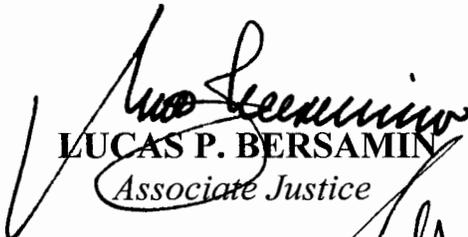
SO ORDERED.



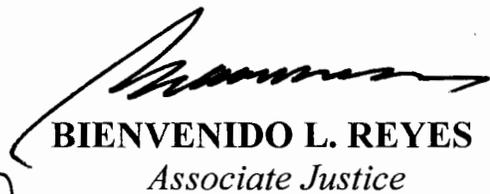
FRANCIS H. JARDELEZA
Associate Justice

WE CONCUR:

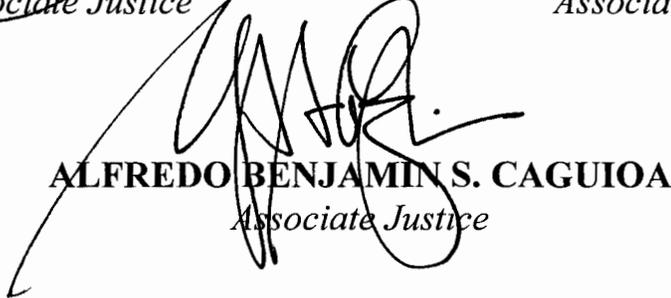
PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson



LUCAS P. BERSAMIN
Associate Justice



BIENVENIDO L. REYES
Associate Justice



ALFREDO BENJAMIN S. CAGUIOA
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

FEB 15 2017