



Republic of the Philippines
 Supreme Court
 Manila

THIRD DIVISION

HEIRS OF TEODORO TULAUAN, G.R. No. 248974
 represented by
TITO TULAUAN,
Petitioners,

- versus -

Present:

MANUEL MATEO;* MAGDALENA MATEO LORENZO, assisted by her husband, **JAIME LORENZO; CAMELIA** HOMES,** owned and operated by **COMMUNITIES ISABELA, INC.; & REGISTER OF DEEDS OF ILAGAN & SANTIAGO,**
Respondents.

CAGUIOA, J., Chairperson,
 INTING,
 GAERLAN,
 DIMAAMPAO, and
 KHO,*** JJ.

Promulgated:

September 7, 2022

Mis+DCB+H

X ----- X

DECISION

INTING, J.:

This is a Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court seeking to reverse and set aside the Decision² dated July

* In her Manifestation with Motion to Adopt the Comment of Communities Isabela, Inc. (Camella Homes), respondent Magdalena Mateo stated, among others, that her father, Manuel Mateo, is already dead, and that this was manifested before the trial court where the case was then pending. Said Manifestation with Motion was noted and granted by the Court in the Resolution dated August 24, 2020. *Rollo*, pp. 224-226, 229.

** Referred to as *Camella* in petitioners' Complaint and in the Answer of respondent Communities Isabela, Inc., id. at 51, 75.

*** Additional member vice Justice Maria Filomena D. Singh per raffle dated July 12, 2022.

¹ Id. at 13-30.

² Id. at 36-46; penned by Associate Justice Maria Filomena D. Singh (now a Member of the Court) and concurred in by Associate Justices Sesinando E. Villon and Edwin D. Sorongon.

31, 2018 and the Resolution³ dated July 15, 2019 of the Court of Appeals (CA) in CA-G.R. CV No. 107610. The CA affirmed the Orders dated September 16, 2014⁴ and June 20, 2016⁵ of Branch 36, Regional Trial Court (RTC), Santiago City that dismissed the Complaint⁶ for annulment of documents, reconveyance, and damages filed by petitioner Heirs of Teodoro Tulauan (Heirs) against respondents Manuel Mateo (Manuel), Magdalena Mateo Lorenzo (Magdalena), Camella Homes, and the Registry of Deeds of Santiago City (collectively, respondents) for being barred by prescription and laches, for failure to state a cause of action, and for lack of merit.

The Antecedents

Teodoro Tulauan (Teodoro) was the absolute and registered owner of a parcel of land located in Santiago, Isabela (now Santiago City) and covered by Original Certificate of Title No. P-1080 (subject property). Sometime in the early 1950s, Teodoro left Santiago and resided in Tuguegarao, Cagayan for security reasons. Nonetheless, he visited his property from time to time and continued to pay the real estate taxes due thereon.⁷

In 1953, the Registry of Deeds of Isabela (Registry of Deeds) issued Transfer Certificate of Title (TCT) No. T-4232 covering the subject property in the name of Manuel. The subject property was thereafter divided into four (4) lots — Lot Nos. 938-A-1 to 938-A-4. In turn, Lot No. 938-A-4 was further subdivided into four (4) more lots — Lot Nos. 938-A-4-A to 938-A-4-D. Manuel then sold Lot Nos. 938-A-1, 938-A-2, 938-A-3, 938-A-4-B, and 938-A-4-C to different buyers.⁸

In 1979, the Registry of Deeds issued TCT No. 118858 covering Lot No. 938-A-4-D in the name of Magdalena.⁹

Later on, the Heirs discovered that the title to the subject property under the name of Teodoro was cancelled by virtue of a deed of conveyance, the copy of which was burned when the Registry of Deeds

³ Id. at 47-50; penned by Associate Justice Maria Filomena D. Singh (now a Member of the Court) and concurred in by Associate Justices Sesonando E. Villon and Edwin D. Sorongon.

⁴ Id. at 85-91; penned by Presiding Judge Anastacio D. Anghad.

⁵ Id. at 101-103.

⁶ Id. at 51-60.

⁷ Id. at 52-53.

⁸ Id. at 37.

⁹ Referred to as Lot No. 938-A-4-A in the RTC Order, id. at 87.

was gutted by fire. Upon further verification with the Bureau of Lands, the Heirs found out that sometime in 1981, a certain Lope H. Soriano presented a deed of conveyance transferring the title to the subject property under his name.¹⁰

The foregoing antecedents prompted the Heirs, represented by Tito Tulauan, to file a Complaint¹¹ before the RTC against respondents for annulment of documents, reconveyance with prayer for the issuance of a temporary restraining order, and damages. In essence, the Heirs asserted that the TCTs under the names of respondents Manuel and Magdalena were fraudulently issued because the transfer of the ownership of the subject property was based on an inexistent document.¹²

Respondents Magdalena¹³ and the owner of Camella Homes, Communities Isabela, Inc. (respondent CHCII),¹⁴ filed their respective answers with counterclaims wherein both moved to dismiss the complaint on the ground that the Heirs had no cause of action against them. In addition, respondent Magdalena raised the defense that the action for reconveyance was already barred by prescription and/or laches.¹⁵

The Ruling of the RTC

In its first Order dated September 16, 2014,¹⁶ the RTC dismissed the complaint for being barred by prescription and laches, for failure to state a cause of action, and for lack of merit.¹⁷ The RTC explained as follows:

1. An action for reconveyance prescribes in four (4) years if based on fraud, and ten (10) years if based on an implied or constructive trust, reckoned from the date of the issuance of the original or transfer certificate of title. In the case, the claim of the Heirs involved a title that was canceled more than sixty (60) years ago and had long been segregated into various titles registered in the names of different persons. Thus, the action was already barred by prescription.¹⁸

¹⁰ Id. at 54.

¹¹ Id. at 51-62.

¹² Id. at 38.

¹³ Id. at 67-74.

¹⁴ Id. at 75-82.

¹⁵ Id. at 38.

¹⁶ Id. at 85-91.

¹⁷ Id. at 91.

¹⁸ Id. at 88-89.

2. The action for reconveyance was likewise barred by laches. When the complaint was filed in 2013, more than 60 years had already lapsed from the time the title was registered in the name of Manuel and it had been more than 34 years since [the] title was transferred in the name of Magdalena. Thus, for more than six decades, the Heirs made no effort to check the status of their purported title or even the condition of the subject property. Thus, the Heirs were already precluded from asserting their supposed rights against the respondents because of their inaction and neglect for an unreasonable length of time.¹⁹

3. The action for reconveyance was no longer available as a remedy because the property had already passed to innocent purchasers for value and in good faith.²⁰

The Heirs sought reconsideration²¹ from the September 16, 2014 Order but the RTC denied it in its subsequent Order dated June 20, 2016.²² The RTC further pointed out that the Heirs did not allege in the complaint the ultimate fact of how and when the supposed fraud was committed. Thus, for want of factual allegation regarding the commission of fraud, the presumption of regularity lay in favor of the execution of the deed of conveyance, it appearing that the TCTs were issued in conjunction thereof.²³

The Ruling of the CA

On appeal²⁴ by the Heirs, the CA, in the assailed Decision²⁵ dated July 31, 2018, affirmed the RTC and held that the latter did not commit any reversible error in dismissing the complaint. The CA agreed that the action for reconveyance filed by the Heirs was premised on the purported fraudulent transfer because of the inexistence of the deed of conveyance. It explained that while the Heirs invoked Article 1410²⁶ of the New Civil Code in support of their arguments, a perusal of their complaint would show that the primary basis of the action for reconveyance was fraud.²⁷

¹⁹ Id. at 89-90.

²⁰ Id. at 91.

²¹ See Motion for Reconsideration dated October 2, 2014, id. at 92-100.

²² Id. at 101-103.

²³ Id. at 102.

²⁴ Id. at 104-106.

²⁵ Id. at 36-46.

²⁶ Article 1410 of the New Civil Code reads:

The action or defense for the declaration of the inexistence of a contract does not prescribe.

²⁷ *Rollo*, p. 43.

The CA further pointed out that an action for reconveyance based on fraud prescribes in 10 years. Considering that the complaint was filed more than 60 years since the title was registered in the name of Manuel and more than 34 years since the title was transferred and registered in the name of Magdalena, the action for reconveyance filed by the Heirs had already prescribed when they filed it in 2013.²⁸

Lastly, the CA agreed with the RTC that the complaint did not state a cause of action.²⁹ Despite repeatedly alleging the inexistence of a deed of conveyance and the acquisition by respondents Manuel and Magdalena of the subject property through fraudulent means, the Heirs failed to establish the factual circumstances and present evidence to support their claims.³⁰

The Heirs filed a Motion for Reconsideration³¹ on the assailed Decision. However, the CA denied it in a Resolution³² dated July 15, 2019.

Hence, the petition.

The Issues

The issues to be resolved in the case are: *first*, whether the cause of action of the Heirs is barred by prescription; *second*, whether the Heirs are guilty of laches; and *third*, whether the dismissal of the complaint on the ground that Manuel and Magdalena are innocent purchasers for value is premature.³³

In their petition,³⁴ the Heirs assert that their cause of action is not barred by prescription because the action for reconveyance sought to attack a void contract is an imprescriptible action. Despite the use of the word “fraud” in the body of the complaint,³⁵ the Heirs insist that the complaint clearly alleged and raised the inexistence of a document or contract that allowed the respondents to transfer into their names the titles over the subject property.³⁶

²⁸ Id.

²⁹ Id. at 44.

³⁰ Id. at 45.

³¹ Id. at 175-180.

³² Id. at 47-50.

³³ Id. at 19.

³⁴ Id. at 13-30.

³⁵ Id. at 20.

³⁶ Id. at 21-22.

Likewise, the Heirs argue that they are not guilty of laches because they had no opportunity to pursue their claims. The Heirs state that they were away from Santiago City due to the threat to their security and that laches does not lie against them as they are seeking to enforce an imprescriptible right.³⁷

Further, the Heirs aver that the determination as to whether the respondents can be considered innocent purchasers for value is evidentiary; hence, the dismissal by the RTC of the complaint on this ground is premature.³⁸

In its Comment,³⁹ respondent CHCII maintains that the CA did not err in ruling that the right of action of the Heirs had long prescribed and is now barred by laches. It points out that the Heirs admitted in their complaint that the deed of conveyance existed, but it was destroyed by fire which gutted the Registry of Deeds;⁴⁰ that an action for reconveyance based on fraud prescribes in four years, and ten years if it is based on an implied or constructive trust;⁴¹ and that the Heirs' cause of action for reconveyance and annulment of documents had clearly prescribed.⁴²

At any rate, respondent CHCII contends that it is an innocent purchaser in good faith and for value, having acquired the subject property in 1979.⁴³ Thus, mere allegations would not suffice to invalidate its vested rights thereon.⁴⁴

Respondent Magdalena adopted the comment of respondent CHCII in her Manifestation with Motion to Adopt the Comment of Communities Isabela, Inc. (Camella Homes).⁴⁵ The Court granted the Manifestion in its Resolution dated August 24, 2020.⁴⁶

In their Reply,⁴⁷ the Heirs counter that there was no admission in

³⁷ Id. at 23-25.

³⁸ Id. at 26-27.

³⁹ Id. at 211-223.

⁴⁰ Id. at 213.

⁴¹ Id. at 214.

⁴² Id. at 215.

⁴³ Id. at 216-217.

⁴⁴ Id. at 219.

⁴⁵ Id. at 224-227.

⁴⁶ Id. at 229.

⁴⁷ Id. at 231-235.

their complaint regarding the existence of a deed of conveyance over the subject property; the complaint merely stated that they cannot verify the existence of the deed of conveyance because it appeared that it was among the records that got lost when the Registry of Deeds was gutted by fire.⁴⁸ They stress that their cause of action rests not on fraud but the non-existence of a valid contract. Being based on an inexistent contract, the action to declare it void is imprescriptible.⁴⁹

The Court's Ruling

The Court finds for the Heirs.

As a rule, the Court, in the exercise of its power of review under Rule 45 of the Rules of Court, resolves only questions of law. There are, however, recognized exceptions to this rule, as specified under *Star Electric Corp. v. R & G Construction Development and Trading, Inc.*,⁵⁰ viz.:

x x x (1) when the findings are grounded entirely on speculation, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when the judgment is based on a misapprehension of facts; (4) when the findings of facts are conflicting; (5) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (6) when the findings are contrary to the trial court; (7) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (8) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; or (9) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.⁵¹

Here, the Heirs submit that their cause of action is not barred by prescription because the action for reconveyance assails a void contract; thus an imprescriptible action. Verily, the issue raised necessitates a review of the complaint filed in the RTC and the allegations stated thereon which are factual in nature. Nonetheless, the Court deems it proper to take cognizance of this petition raising factual issues as it is

⁴⁸ Id. at 232.

⁴⁹ Id. at 231-235.

⁵⁰ Id. at 232.

⁵¹ Id. at 419-420, citing *Sps. Almendrala v. Sps. Ngc.*, 508 Phil. 305, 315-316 (2005).

apparent that there was a misapprehension of facts on the part of the lower courts that warrants a second look for the just disposition of the case.

The crux of the controversy revolves around the allegations of the Heirs in the Complaint filed before the RTC, the relevant portions of which provide:

x x x x

11. That the possession of the plaintiff's predecessor's-in-interest was never disturbed except when Paul Tulauan, one of the children of the Teodoro Tulauan, while in the Philippines for a vacation, saw the land being developed by a real estate developer;

12. That immediately thereafter, the plaintiff verified the records with the Registry of Deeds of Ilagan and Santiago and found out that the title of the plaintiff's predecessor-in-interest was already cancelled. It was discovered that the deed of conveyance supporting the cancellation was one of those documents that were burned when the Registry of Deeds of Isabela was gutted by fire;

13. That the plaintiff then exerted effort to verify the authenticity of the alleged conveyance by checking the records with the Bureau of Lands in Ilagan[,] Isabela. While at the said office, it was found out that sometime in 1981, a certain Lope H. Soriano presented a deed of conveyance transferring the property covered with OCT P 1080 under his name;

x x x x

18. TCT-(T-118858) SC-46663 was fraudulently issued because it was based on inexistent document. Its nullification is justified[;]

x x x x

23. Teodoro Tulauan could not have executed the dubious [d]eed of conveyance on 4th of May 1953 that effected the transfer it [*sic*] in favor of defendant Manuel Mateo for there was no such document showing any mode of transfer in his favor[;]

x x x x

25. That the subsequent transfers of the said title on favor [*sic*] Magdalena Mateo is a product of forgery hence void ab initio;

x x x x

26. By reason of the malevolent acts of defendants in effecting fraudulent transfers by using void and inexistent documents that resulted to the cancellation of plaintiff's predecessors-in-interest[s] title caused [*sic*] the plaintiff to suffer sleepless nights, wounded feelings, moral shock, mental anguish, serious anxieties, besmirched reputation, social humiliation and feelings of similar nature. Plaintiff is entitled to, by way of moral damage, the amount of P100,000.00.⁵²

x x x x

Admittedly, the Heirs used the word "fraudulent" in their complaint; but a reading of the allegations therein as a whole would show that the action was indeed based on a purported inexistent document. Reference to "inexistent document" and "void and inexistent documents" in paragraphs 18 and 26, respectively, cannot be ignored. Thus, it was an error on the part of the RTC and the CA to declare that the action was based on fraud when a careful reading of the allegations in the complaint would show otherwise. To be sure, the contention of the Heirs is anchored on the alleged inexistent deed of conveyance which negates the very execution of the subject deed.

Thus, the sole question now is whether the action for reconveyance had already prescribed when the Heirs filed it before the RTC.

The imprescriptibility of an action for reconveyance is determined by the nature of the action, or of whether it is founded on a claim of the existence of an implied or constructive trust, or one based on the existence of a void or inexistent contract.⁵³ Pursuant to Articles 1456⁵⁴ and 1144(2)⁵⁵ of the New Civil Code, an action for reconveyance based on fraud prescribes in 10 years reckoned from the date of registration of the property. On the other hand, Article 1410 of the New Civil Code provides that "the action or defense for the declaration of the inexistence

⁵² Id. at 53-57.

⁵³ *Uy v. Court of Appeals*, 769 Phil. 705, 721 (2015).

⁵⁴ Article 1456 of the New Civil Code provides:

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.

⁵⁵ Article 1144 of the New Civil Code provides:

The following actions must be brought within ten years from the time the right of action accrues.

1. Upon a written contract;
2. Upon an obligation created by law;
3. Upon a judgment.

of a contract does not prescribe.”

In the case, the action for reconveyance hinges on a supposed inexistent contract that became the basis for the issuance of TCT-(T-118858) SC-46663.⁵⁶ Evidently, the foundation of the complaint for reconveyance is the absence or inexistence of a deed or instrument transferring ownership of the subject property in favor of respondent Manuel. Following Article 1410 of the New Civil Code, the action for reconveyance filed by the Heirs is thus imprescriptible.

Because it is apparent that the complaint on its face does not show that the action had already prescribed, the RTC erred in dismissing it on such ground. It must be stressed that the summary or outright dismissal of the action for reconveyance based on the pleadings of the parties was not proper as there are factual matters in dispute. These factual matters are better threshed out in a full-blown trial to prove that, indeed, the issuance of the title was based on an inexistent contract.

In addition, the Court agrees with the submission of the Heirs that the RTC likewise erred in dismissing the complaint on the ground of laches.

Jurisprudence defines laches as “the failure or neglect, for an unreasonable and unexplained length of time, to do that which — by the exercise of due diligence — could or should have been done earlier. It is the negligence or omission to assert a right within a reasonable period, warranting the presumption that the party entitled to assert it has either abandoned or declined to assert it.”⁵⁷

Corollary thereto, well settled is the rule that the elements of laches must be proved positively. Laches is evidentiary in nature and it could not be established by mere allegations in the pleadings. “Whether or not the elements of laches are present is a question involving a factual determination by the trial court and each case is to be determined according to its particular circumstances.”⁵⁸

In other words, without a solid evidentiary basis, laches cannot be a valid ground to dismiss a complaint. As applied in the case, a reading of the Orders of the RTC dismissing the complaint would show that the

⁵⁶ *Rollo*, pp. 54-55.

⁵⁷ *Quintos v. Nicolas*, 736 Phil. 438, 453 (2014).

⁵⁸ *Mangondaya v. Ampaso*, 828 Phil. 592, 601 (2018).

conclusion that laches set in already had no basis. To underscore, the Orders merely stated that the Heirs did not make any effort to check the status of their title for six decades; hence, they are guilty of laches.⁵⁹ However, without other factual findings to support this conclusion, the Court is not convinced that laches was indeed positively proven by respondents. For the resolution of the issue, it is thus necessary for the parties to proceed to trial and present evidence to prove the elements thereof.⁶⁰

The same holds true with the allegation that an action for reconveyance is no longer available as a remedy because the property had already passed to innocent purchasers for value and in good faith. In *Sindophil, Inc. v. Republic*,⁶¹ the Court declared:

The presumption that a holder of a Torrens title is an innocent purchaser for value is disputable and may be overcome by contrary evidence. Once a *prima facie* case disputing this presumption is established, the adverse party cannot simply rely on the presumption of good faith and must put forward evidence that the property was acquired without notice of any defect in its title.⁶²

As with the issue on laches, the determination on whether respondents are innocent purchasers for value and in good faith involves factual matters. Unfortunately, the RTC made its conclusion on the basis of the pleadings submitted by the parties⁶³ when it should have conducted a full-blown trial to determine the crucial aspect.

All told, the trial court, as affirmed by the CA, gravely erred when it dismissed the action for reconveyance on the grounds of prescription and laches, and on the ground that the title to the subject property had already passed to an innocent purchaser and for value. The issues are factual in nature that should be threshed out in a full-blown trial on the merits and after the appreciation of the pieces of evidence presented by all parties concerned.

⁵⁹ *Rollo*, pp. 89, 103.

⁶⁰ *Ceferina de Ungria (deceased) v. Hon. CA*, 669 Phil. 585, 604 (2011).

⁶¹ G.R. No. 204594, November 7, 2018.

⁶² *Id.*

⁶³ *Rollo*, pp. 91, 103.

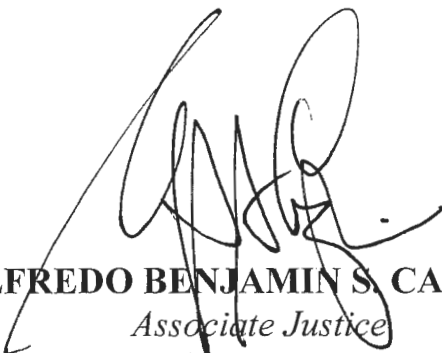
WHEREFORE, the petition is **GRANTED**. The Decision dated July 31, 2018 and the Resolution dated July 15, 2019 of the Court of Appeals in CA-G.R. CV No. 107610 are **REVERSED and SET ASIDE**.


Let the records of this case be **REMANDED** to Branch 36, Regional Trial Court (RTC) of Santiago City. The RTC is **ORDERED** to continue with the proceedings and decide the case with dispatch.

SO ORDERED.


HENRI JEAN PAUL B. INTING
Associate Justice

WE CONCUR:


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson

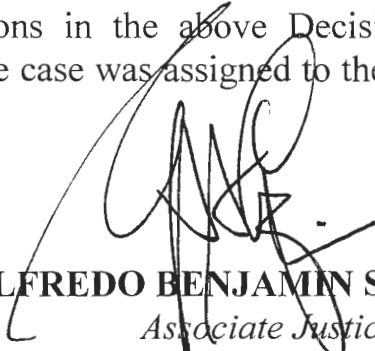

SAMUEL H. GAERLAN
Associate Justice


JAPAR B. DIMAAMPAO
Associate Justice


ANTONIO T. KHO, JR.
Associate Justice

ATTESTATION

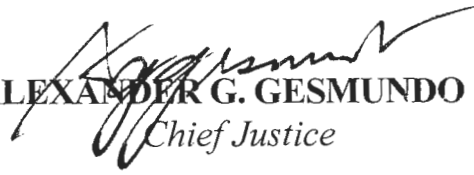
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ALEXANDER G. GESMUNDO
Chief Justice