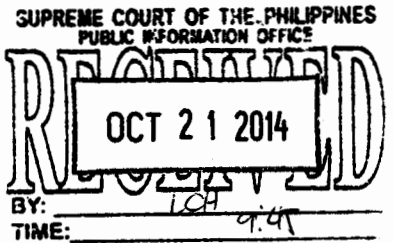




Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION



NOTICE

Sirs/Mesdames:

Please take notice that the Court, Third Division, issued a Resolution dated **September 24, 2014**, which reads as follows:

“G.R. No. 183762 (*Lauroconstrak, Inc. v. Spouses Gamaliel and Ophelia Flores and Spouses Enrique and Pura Flores*). – Assailed in the instant petition is the Decision¹ dated April 25, 2008 of the Court of Appeals (CA) nullifying the Transfer Certificates of Title (TCT) of petitioner, Lauroconstrak, Incorporated (petitioner) over the subject properties, and the Resolution dated July 10, 2008 denying the motion for reconsideration thereof in CA-G.R. CV No. 83464.

The subject properties are two (2) parcels of land: (i) Lot 708-B-3-B with an area of 1,858 square meter, and (ii) Lot 708-B-3-C with an area of 3,333 sq m, both situated in Pasong Tamo, Quezon City and covered by TCT No. 157646 and TCT No. 157647, respectively under the name of the spouses Mariano and Virginia Apo (spouses Apo).²

On June 8, 1984, the spouses Apo sold the parcels of land to the respondents, as evidenced by two (2) Deeds of Absolute Sale executed on even date[**first sale**]: (1) the first Deed covering Lot 708-B-3-B in favor of the spouses **Gamaliel and Ophelia Flores**; and (2) the second deed covering Lot 708-B-3-C in favor of the spouses **Enrique and Pura Flores**. The respondents forthwith took possession of their respective properties, installed a steel gate and assigned a caretaker who built a small hut in the premises to oversee the land.³

The spouses Apo undertook the registration of the Deeds of Sale and the issuances of the corresponding TCTs in the name of the respondents. Per certification issued on March 1, 1990 by the Office of the City Assessor,⁴ TCT No. 157646 was cancelled and TCT No. 317916 was issued in the name of the spouses Gamaliel and Ophelia Flores; and TCT

¹ Penned by Associate Justice Romeo F. Barza, with Associate Justices Mario L. Guarista and Japar B. Dimaampao, concurring; *rollo*, pp. 18-36.

² Id. at 20-21.

³ Id. at 21-22.

⁴ Id. at 97-98.

No. 317917 was issued in the name of the spouses Enrique and Pura Flores to cancel TCT No. 157647.⁵

However, the spouses Apo did not deliver the new TCTs to the respondents despite repeated demands, the last being through a letter⁶ of their counsel dated September 17, 1991. The respondents later discovered that through forged deeds of sale allegedly executed on June 8, 1988[**second sale**], both TCT Nos. 317916 and 317917 were canceled and replaced by TCT Nos. 383739 and 383740, respectively, in the name of the spouses Apo.⁷ Although it appears that the said instruments were recorded in the notarial book of Notary Public Efren Barangan on June 8, 1988 as Docs. Nos. 58 and 59, Page 13, Book No. 205, Series of 1988,⁸ it was shown upon verification that the sales did not pertain to the aforesaid lots, but rather to the sale of a 2-door Ford Escort sedan and a Toyota Corolla, respectively.⁹ No deed of sale could have been allegedly executed on June 8, 1988 since the spouses Enrique and Pura Flores were in Canada, while the residence certificates of spouses Gamaliel and Ophelia Flores indicated in the sale instrument were dated August 18, 1989,¹⁰ 14 months after the alleged sale.

It was also learned that TCT Nos. 383739 and 383740, in the name of the spouses Apo, were administratively reconstituted as TCT Nos. RT-55438 and RT-55439,¹¹ through a petition¹² for reconstitution which the spouses Apo filed on February 16, 1992 with the Land Registration Authority, alleging that they lost their said titles in a fire which gutted the Quezon City Hall on June 11, 1988. Apparently, the spouses Apo received their reconstituted titles within a mere ten (10) days. They then lost no time transferring the same to their nephew, Reymundo A. Marcos, in a Deed of Sale¹³ dated March 16, 1992 for a consideration of only ₱1 Million[**third sale**]. The reconstituted titles were canceled and replaced by TCT Nos. 59456 and 59457, now in the name of Marcos.

Initially, the respondents filed a complaint¹⁴ for specific performance against the Spouses Apo asking for the delivery of their owner's duplicate copies on May 7, 1992. This was docketed as Civil Case No. Q-92-12200. Thereafter, upon the discovery of several transactions involving the subject properties, the respondents were prompted to amend their original complaint.

⁵ Id. at 21.

⁶ Id. at 67.

⁷ Id. at 22.

⁸ Id. at 71.

⁹ Id. at 72, 77.

¹⁰ Id. at 23.

¹¹ Id. at 68, 74.

¹² Id. at 70.

¹³ Id. at 78-79.

¹⁴ Id. at 38-41.

On June 15, 1992, the respondents discovered that the properties were being bulldozed by a contractor of Marcos named Conrado Lingayo, allegedly under a joint venture to build a row of townhouses thereon. The respondents forthwith filed a complaint for trespassing against the spouses Apo, Marcos and Conrado Lingayo before the *barangay*.¹⁵ They also learned that on July 5, 1992, Marcos executed a deed of sale [**fourth sale**] in favor of one Jose V. Rivera, Jr. for a consideration of only ₱1,200,000.00. TCT Nos. 59456 and 59457 were cancelled and replaced by TCT Nos. 63001 and 63002 in the name of Rivera.¹⁶

On March 5, 1993, Rivera sold the properties to Florinda Estrada [**fifth sale**]. The sale was registered on August 12, 1993, and TCT Nos. 92164 and 92165 were issued in the name of Estrada to cancel TCT Nos. 63001 and 63002.¹⁷ However, the new owner's duplicate copies were not released due to non-payment of the capital gains and documentary stamps taxes and transfer fees, prompting the Register of Deeds of Quezon City to file a petition for the cancellation of TCT Nos. 92164 and 92165. On September 27, 1994, the RTC ordered the cancellation of TCT Nos. 92164 and 92165, and TCT Nos. 119075 and 119076 were issued in the name of Rivera. Annotated on both TCT Nos. 119075 and 119076 is a Notice of *Lis Pendens* dated September 24, 1992 in regard to the pendency of Civil Case No. Q-92-12200.¹⁸

On October 12, 1994, Rivera entered into a Joint Venture Agreement with the petitioner to construct a townhouse project on the subject properties.¹⁹ Not long thereafter, on January 27, 1995, Rivera sold the said lots to the petitioner, and TCT Nos. 124834 and 124835 were issued in its name. The Notice of *Lis Pendens* inscribed on 119075 and 119076 was carried over to TCT Nos. 124834 and 124835.²⁰

On March 11, 1995, the respondents filed their Second Amended/Supplemental Complaint,²¹ this time to include the annulment of TCT Nos. RT-55438 and RT-55439, as well as all titles derived therefrom. Impleaded as defendants were Raymundo Marcos, Jose Rivera, Samuel Cleofe, in his capacity as the Register of Deeds of Quezon City, Florinda Estrada, and Lauroconstrak Inc.

¹⁵ Id. at 83-84.

¹⁶ Id. at 85-86.

¹⁷ Id. at 87-92.

¹⁸ Id. at 93-96.

¹⁹ Id. at 53-54.

²⁰ Id. at 26.

²¹ Id. at 46-56.

After trial, on September 26, 2003, the RTC, Branch 224 of Quezon City rendered judgment²² in Civil Case No. Q-92-12200, the *fallo* of which reads, as follows:

WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and as against defendants:

1. Declaring null and void **ab initio** Transfer Certificate of Title Nos. RT 55438 and 55439 in the name of defendants Apo, as well as all the certificates of title subsequently derived therefrom, to wit, Transfer Certificates of Title Nos. 59456 and 59457 in the name of defendant MARCOS; Transfer Certificates of Title Nos. 63001 and 63002 in the name of defendant RIVERA; AND Transfer Certificate of Title Nos. 119075 and 119076 also in the name of defendant RIVERA;

2. Declaring null and void any [sic] all transactions involving the parcels of land subject of this case, including but not limited to the Deed of Absolute Sale executed by defendant RIVERA in favor of defendant ESTRADA and the Joint Venture Agreement entered into between defendant RIVERA and defendant LAUROCONSTRAK;

3. Ordering the Registry of Deeds of Quezon City to issue new certificates of title relative to the subject lots in the names of plaintiffs, free from all liens and encumbrances, and to deliver the same to plaintiffs;

4. Ordering defendants APO, MARCOS, RIVERA and CLEOFE to pay jointly and severally, to plaintiffs, the following:

- a) P100,000.00 by way of moral damages to each and every one of herein plaintiffs;
- b) P100,000.00 by way of exemplary damages to each and every one of herein plaintiffs;
- c) P250,000.00 by way of reasonable attorney's fees plus P500.00 appearance fee per day in court; and
- d) Cost of suit.

IT IS SO ORDERED.²³

Aggrieved, Rivera and the petitioner appealed to the CA. In the assailed decision, the CA affirmed the RTC decision with the modification that TCT Nos. 124834 and 124835 in the name of Lauroconstrak be declared null and void, as well and the award of attorney's fees be reduced to P50,000.00.²⁴ The CA found that the appellants therein were purchasers in bad faith because they were presumed to be aware of the previous fraudulent transactions cited above.

²² Issued by Presiding Judge Emilio L. Leachon, Jr., id. at 97-109.

²³ Id. at 108-109.

²⁴ Id. at 35.

Ruling of the Court

In the instant petition, the petitioner insists that Rivera was a purchaser in good faith, from whom it purchased the subject lots for value and in good faith; that the complaint filed by the respondents is a collateral attack on the petitioner's titles; and that the petitioner has acquired title by prescription, having held the lots for more than ten (10) years.²⁵ In particular, the petitioner insists that it was aware of the annotation of *lis pendens* only when it was shown its titles, TCT Nos. 124834 and 124835; whereas as an innocent buyer, its obligation was only to examine the title of its seller and not to look for defects in the preceding certificates.

The petition has no merit. Adhering to the rule that factual findings of the trial court as affirmed by the CA are accorded weight and respect when supported by substantial evidence, the Court sees no reversible error with the decision of the CA as it is in accord with the law and evidence.

Crucial to the resolution of this petition is the question of whether the petitioner was a purchaser in good faith, defined as one who buys a property without notice that some other person has a right to or interest in such property and pays its fair price before he has notice of the adverse claim and interest of another person in the same property.²⁶ It is that honesty of intention which constitutes good faith and implies a freedom from knowledge of circumstances which ought to put an honest person on inquiry concerning any flaw in the title of the seller.²⁷

As found by the CA, the bad faith and fraudulent schemes resorted to by the spouses Apo, Marcos, Rivera and Lauroconstrak in order to defraud the respondents are evident. Both the RTC and the CA found that the titles issued to the respondents, TCT Nos. 317916 and 317917, were canceled and replaced by TCT Nos. 383739 and 383740 in the name of the spouses Apo by means of forged deeds of sale in their favor. At the time of the said sales, the spouses Enrique and Pura Flores were out of the country. Also, the notarization of the deeds of sale as well as the residence certificates in the names of spouses Gamaliel and Ophelia Flores were found to be simulated.

Both the RTC and the CA likewise found that the sale by the spouses Apo to their nephew Reymundo Marcos was fraudulent. The consideration of ₱1 Million, or ₱192.64 per sq m, was grossly inadequate as compared to the applicable zoning value for tax purposes which was already pegged at ₱2,700.00 per sq m.²⁸ Then, the receipts allegedly showing payment of pertinent taxes prior to transfer of the certificates of title to Marcos were found to be spurious.

²⁵ Id. at 7-8.

²⁶ *Occeña v. Esponilla*, G.R. No. 156973, June 4, 2004, 431 SCRA 116, 124.

²⁷ Id.

²⁸ Id. at 29.

Concerning the sale between Marcos and Rivera, the defendants therein presented an alleged receipt of payment of the transfer taxes by Rivera and a Certificate Authorizing Registration bearing the signature of Alberto Zemuco, BIR Revenue District Officer. But the alleged payment of transfer taxes was belied by a certification from the Officer-in-Charge of BIR's Office of the Treasurer & License Division that no such transfer taxes were paid under the name of Marcos and Rivera under OR Nos. 12-2039 and 12-7329, respectively. The Local Treasurer's Operation Officer III also testified and affirmed that no such payments had been received from Marcos and Rivera. Likewise, the signature of Alberto Zemuco on the Certificate Authorizing Registration was spurious on the basis of the NBI finding.²⁹

We come now to the claim of the petitioner to be a purchaser in good faith. This claim is directly belied by the Notice of *Lis Pendens* respecting Civil Case No. Q-92-12200, contained in Entry PE-7298/T-63001 and Entry PE-7298/T-63002, both dated September 24, 1992 on TCT Nos. 119075 and 119076.³⁰ It needs no elaboration that the purpose of a notice of *lis pendens* is (1) to protect the rights of the party causing the registration thereof, and (2) to advise third persons intending to purchase the property covered or otherwise to contract therewith that they do so at their peril and subject to the result of the pending litigation. Indeed, one who deals with property subject of a notice of *lis pendens* cannot acquire better rights than those of his predecessor-in-interest.³¹ Beyond a doubt, the petitioner was duly warned when it bought the properties from Rivera on January 27, 1995 that they were the subject of Civil Case No. Q-92-12200 then pending with the RTC of Quezon City.

Moreover, as the CA also noted, the petitioner's own certificates of title, TCT Nos. 124834 and 124835, derived from TCT Nos. 119075 and 119076, also bear the aforesaid inscription of Notice of *Lis Pendens*. This fact debunks its claim of acquisition of the properties by ordinary prescription, which demands that its possession must be "in good faith," meaning that it maintained its acquisitive possession unbroken and without notice of any flaw in its predecessor's title. But as the CA has plainly observed, fraud has been all too evident in the questioned sales by the petitioner's predecessors, except the sale to the herein respondents by the spouses Apo.

Lastly, the invocation by the petitioner that the instant action is a collateral attack on its titles is baseless and sophistic. While under the Torrens system a certificate of title is said to be conclusive as to all matters contained therein, particularly in regard to the ownership of the land described therein, and that a certificate of title is indefeasible, unassailable and binding against the whole world, including the government itself, a

²⁹ Id. at 29-30.


³⁰ Id. at 93-96.

³¹ *Hernudd, et al. v. Lofgren*, 560 Phil. 477, 488 (2007).

certificate of title does not create or vest title but merely confirms or records title already existing and vested. It cannot protect a usurper from the true owner, nor can it be a shield in the commission of fraud.³²

WHEREFORE, premises considered, the instant petition for review is **DENIED.**”

Very truly yours,


WILFREDO V. LAPITAN
Division Clerk of Court *9/24/14*

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The Presiding Judge
REGIONAL TRIAL COURT
Branch 224, Quezon City
(Civil Case No. Q-92-12200)

Judgment Division
JUDICIAL RECORDS OFFICE
Supreme Court, Manila

³² *Spouses De Pedro v. Romasan Development Corp.*, 492 Phil. 643, 655 (2005).