Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

DELFIN DOMINGO DADIS, Petitioner,	**G.R. No. 206008**
	Present:
- *versus* -	CARPIO, *J., Chairperson,* PERALTA, MENDOZA,* LEONEN, and MARTIRES,* *JJ.*
SPOUSES MAGTANGGOL DE GUZMAN and NORA Q. DE GUZMAN, and THE REGISTER OF DEEDS OF TALAVERA, NUEVA ECIJA, Respondents.	**Promulgated:** 07 JUN 2017

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D E C I S I O N

PERALTA, *J.*:

This petition for review on *certiorari* under Rule 45 of the Rules of Court (*Rules*) seeks to annul the July 30, 2012 Decision[1] and February 13, 2013 Resolution[2] of the Court of Appeals *(CA)* in CA-G.R. CV No. 87784, which reversed and set aside the November 10, 2005 Decision[3] and January 25, 2006 Order[4] of Regional Trial Court *(RTC)*, Branch 33, Guimba, Nueva Ecija, and, in effect, dismissed the complaint filed by petitioner.

On September 8, 2003, petitioner Delfin Domingo Dadis *(Delfin)* filed a Complaint[5] for reconveyance and damages against respondents Spouses Magtanggol De Guzman *(Magtanggol)* and Nora Q. De Guzman *(Nora)* and the Register of Deeds *(RD)* of Talavera, Nueva Ecija. Delfin alleged that: he

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* On official leave.

1 Penned by Associate Justice Vicente S.E. Veloso, with Associate Justices Jane Aurora C. Lantion and Edwin D. Sorongon concurring; *rollo*, pp. 67-79.

2 *Id.* at 81.

3 CA *rollo*, pp. 39-44; records, pp. 105-109.

4 *Id.* at 45-46; *id.* at 133-134.

5 Records, pp. 2-7.

and his deceased wife, Corazon Pajarillaga Dadis *(Corazon)*, were the registered owners of a 33,494-square meter parcel of land located at Guimba, Nueva Ecija and covered by Transfer Certificate of Title *(TCT)* No. (NT-133167) N-19905;[6] on December 11, 1996, their daughter, Marissa P. Dadis *(Marissa)*, entered into a contract of real estate mortgage *(REM)* over the subject property in favor of Magtanggol to secure a loan obligation of ₱210,000.00 that was payable on or before February 1997;[7] the Spouses De Guzman made it appear that Marissa was authorized by the Spouses Dadis by virtue of a Special Power of Attorney *(SPA)* dated December 10, 1996;[8] the SPA was a forged document because it was never issued by him or Corazon as the signatures contained therein are not theirs, especially so since he was in the United States of America *(USA)* at the time; it was only in November 1999, when Corazon died, that Magtanggol informed him of the transaction, but he could not remedy the situation as he had to go back to the USA in December 1999; when he returned to the Philippines in April 2002, he executed a SPA in favor of a friend, Eduardo Gunsay, to look into the matter and make the necessary actions; in 2003, he was able to procure copies of the documents pertaining to the mortgage, including the cancellation of their title and the issuance of a new one, TCT No. N-26572,[9] in favor of the Spouses De Guzman; after his verification, he immediately caused the filing of an Affidavit of Adverse Claim, which was annotated at the back of TCT No. N-26572;[10] neither he nor his family benefited from the loan secured by the mortgage; no demand letter, as well as notices of the foreclosure proceedings and the consolidation of title, were sent to him; and, in view of these, he is entitled to receive from the Spouses De Guzman the amounts of ₱200,000.00 as moral damages, ₱500,000.00 as exemplary damages, ₱20,000.00 plus ₱1,000.00, per hearing as attorney's fees, interests, and other costs of suit.

In their Answer with Motion to Dismiss,[11] the Spouses De Guzman countered that Delfin has no cause of action against them, stating that: they have no knowledge as regards the supposed falsity of the SPA presented by Marissa and Corazon at the time the latter pleaded to accommodate them into entering a mortgage contract; they have no knowledge that Delfin was not in the Philippines at the time of the execution of the SPA, which, as a duly-notarized document, was presumed to have been done regularly; Delfin defaulted in paying the obligation despite several repeated demand, as in fact they even proceeded to his house in November 1999 and were able to talk to him; in view of his admission that he could not pay the amount involved, they were constrained to cause the registration of the REM with the RD on May 21, 2001; to give him enough time and opportunity to reacquire the property, it was only after three years from the time the obligation became

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6 *Id.* at 8-9.
7 *Id.* at 10.
8 *Id.* at 11.
9 *Id.* at 12.
10 *Id.*
11 *Id.* at 21-26.

due that they pursued and effected the foreclosure of the property; considering that he still failed to pay the obligation, the property was foreclosed on August 21, 2001, with them (*Spouses De Guzman*) as the highest bidder; as the property was not redeemed, the title thereto was consolidated in their names and TCT No. N-26572 was issued in their favor; they were in good faith from the time the property was mortgaged until it was foreclosed and they were able to help Delfin's family, who was financially distressed at the time; and, an action to annul the SPA executed in 1996 already prescribed. By way of counterclaim, the Spouses De Guzman pleaded that Delfin be ordered to pay them the amounts of ₱500,000.00 as moral damages, ₱500,000.00 as exemplary damages, ₱20,000.00 as attorney's fees, ₱20,000.00 as litigation expenses, and costs of suit.

After trial, the RTC established that Delfin was not in the Philippines on December 10, 1996 since, per his testimony that was corroborated by Martina Palaganas *(Martina)*, he was in the USA from November 24, 1995 until he went home on November 13, 1999 when Corazon died; thus, he could not have signed the SPA authorizing Marissa to mortgage the property. Without his written consent, the mortgage is void since such act is not merely an act of administration but of ownership or dominion on the part of Corazon. Evidence on record, however, does not show that Magtanggol had a hand in the preparation of the SPA. Being duly notarized, he had the right to rely on what such public document purported to be. The presumption of good faith in his favor was not overcome. The trial court ruled that while the mortgage is void, the obligation of Corazon to Magtanggol is valid because the money she received redounded to the benefit of the family. The November 10, 2005 Decision disposed:

> WHEREFORE, judgment is rendered:
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> 1. Declaring the real estate mortgage made by Corazon Pajarillaga-Dadis, through her daughter Marissa, in favor of defendant Magtanggol de Guzman, without the consent of the plaintiff, void;
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> 2. Ordering the Register of Deeds of Nueva Ecija, Talavera Branch, to [cancel] Transfer Certificate of Title No. 26572, and to reinstate Transfer Certificate of Title No. 133167 in the name of [Spouses] Delfin Domingo Dadis and Corazon Pajarillaga-Dadis;
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> 3. Ordering the plaintiff to pay to the defendant-spouses Magtanggol de Guzman and Nora Q. de Guzman the sum of ₱210,000.00 with interest at 6% per annum from finality of judgment until full payment.
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> No pronouncement as to damages, there being no adequate showing of bad faith on the part of defendant Magtanggol de Guzman.

SO ORDERED.[12]

Only the Spouses De Guzman filed a motion for reconsideration, which was denied.

On appeal, the CA reversed and set aside the RTC Decision and dismissed Delfin's complaint for lack of merit. It conceded that, as found by the RTC and undisputed by the parties, the SPA had been forged. As to the issue of whether Magtanggol is a mortgagee in good faith and for value, it resolved in the affirmative by citing Our ruling in *Spouses Bautista v. Silva*.[13] The appellate court noted:

> Here, the purported SPA bears the signatures of both **Corazon Pajarillaga-Dadis** and the plaintiff-appellee **Delfin Domingo Dadis**, the registered owners of the property subject of the real estate mortgage. It was **duly notarized** by Atty. Edwin F. Jacoba, Notary Public of Guimba, Nueva Ecija with PTR No. 5395500 dated January 5, 1996, who testified under seal that the principals (Spouses Dadis) appeared before him and executed the subject instrument and [acknowledged] the same to be his/her own free act and deed. The instrument was duly entered in the notarial book as Doc. No. 250, Page No. 43, Book No. XVI, Series of 1996. There is thus no apparent flaw on the face of the instrument that would cast doubt on its due execution and authenticity.[14]

The motion for reconsideration filed by Delfin was denied; hence, this petition.

We grant.

The RTC and the CA agreed that the subject SPA had been forged. Such fact is not even contested before Us by the parties. Thus, the only remaining issue to be threshed out is whether Magtanggol is a mortgagee in good faith. Both the RTC and the CA held that he acted in good faith when he entered into the loan transaction secured by a mortgage. A difference lies, however, since while the RTC declared the mortgage void the CA opined that it is valid and binding upon Delfin.

As a rule, the issue of whether a mortgagee is in good faith cannot be entertained in a Rule 45 petition because the ascertainment of good faith or the lack thereof and the determination of negligence are factual issues which lie outside the scope of a petition for review on *certiorari*.[15] This Court is

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12 *Id.* at 109; CA *rollo*, p. 44.

13 533 Phil. 627 (2006).

14 *Rollo*, p. 78. (Emphasis in the original)

15 See *Claudio v. Saraza*, G.R. No. 213286, August 26, 2015, 768 SCRA 356, 364 and *Arguelles, et al. v. Malarayat Rural Bank, Inc.*, 730 Phil. 226, 234 (2014).

not a trier of facts and is not into re-examination and re-evaluation of testimonial and documentary evidence on record.[16] An exception, which the present case falls under, is when there is a misapprehension of facts or when the inference drawn from the facts is manifestly mistaken.[17]

We hold that Magtanggol is not a mortgagee in good faith.

The doctrine of mortgagee in good faith has been allowed in many instances but in situations dissimilar from the case at bench. *Cavite Development Bank v. Spouses Lim*[18] explained the doctrine in this wise:

> There is, however, a situation where, despite the fact that the mortgagor is not the owner of the mortgaged property, his title being fraudulent, the mortgage contract and any foreclosure sale arising therefrom are given effect by reason of public policy. This is the doctrine of "the mortgagee in good faith" based on the rule that all persons dealing with the property covered by a Torrens Certificate of Title, as buyers or mortgagees, are not required to go beyond what appears on the face of the title. The public interest in upholding the indefeasibility of a certificate of title, as evidence of lawful ownership of the land or of any encumbrance thereon, protects a buyer or mortgagee who, in good faith, relied upon what appears on the face of the certificate of title.[19]

The doctrine of mortgagee in good faith presupposes that the mortgagor, who is not the rightful owner of the property, has already succeeded in obtaining a Torrens title over the property in his or her name and that, after obtaining the said title, he or she succeeds in mortgaging the property to another who relies on what appears on the said title.[20] In this case, Marissa is undoubtedly not the registered owner of the subject lot; and the certificate of title was in the name of her parents at the time of the mortgage transaction. She merely acted as the attorney-in-fact of Corazon and Delfin by virtue of the falsified SPA. The protection accorded by law to mortgagees in good faith cannot be extended to mortgagees of properties that are not yet registered with the RD or registered but not under the mortgagor's name.[21]

When the mortgagee does not directly deal with the registered owner of the real property, like an attorney-in-fact of the owner, it is incumbent

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16 See *Ereña v. Querrer-Kauffman,* 525 Phil. 381, 397 (2006).

17 *Claudio v. Saraza, supra* note 15, at 364-365.

18 381 Phil. 355 (2000).

19 *Cavite Development Bank v. Sps. Lim, supra,* at 368. See also *Claudio v. Saraza, supra* note 15, at 365; *Arguelles, et al. v. Malarayat Rural Bank, Inc., supra* note 15, at 235; *Sps. Vilbar v. Opinion,* 724 Phil. 327, 348-349 (2014); *Bank of Commerce v. Spouses San Pablo, Jr.,* 550 Phil. 805, 821 (2007); and *Ereña v. Querrer-Kauffman, supra* note 16, at 402.

20 *Claudio v. Saraza, supra* note 15, at 365-366; *Bank of Commerce v. Spouses San Pablo, Jr., supra*; and *Ereña v. Querrer-Kauffman, supra* note 16, at 402.

21 See *Heirs of Gregorio Lopez v. Development Bank of the Philippines.,* G.R. No. 193551, November 19, 2014, 741 SCRA 153, 170.

upon the mortgagee to exercise greater care and a higher degree of prudence in dealing with such mortgagor.[22] As *Abad v. Sps. Guimba*[23] reminded:

> x x x A person who deals with registered land through someone who is *not* the registered owner is expected to look behind the certificate of title and examine *all* factual circumstances, in order to determine if the mortgagor/vendee has the capacity to transfer any interest in the land. One has the duty to ascertain the identity of the person with whom one is dealing, as well as the latter's legal authority to convey.
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> The law "requires a higher degree of prudence from one who buys from a person who is not the registered owner, although the land object of the transaction is registered. While one who buys from the registered owner does not need to look behind the certificate of title, one who buys from one who is *not* the registered owner is expected to examine not only the certificate of title but *all* factual circumstances necessary for [one] to determine if there are any flaws in the title of the transferor, or in [the] capacity to transfer the land." Although the instant case does not involve a sale but only a mortgage, the same rule applies inasmuch as the law itself includes a mortgagee in the term "purchaser."[24]

Here, Magtanggol maintained that he did not bother to inquire from Corazon and Marissa the whereabouts of Delfin because, at the time the mortgage transaction was held, the SPA presented was well-prepared, duly signed, and notarized and that it was them who actually handed it together with their companions, Imelda Reyes and Roger Sumawang, and that Corazon did not tell him the whereabouts of her husband, who, unknown to him, was in the USA at the time.[25]

Under Section 23, [26] Rule 132 of the Rules, not all types of public documents are deemed *prima facie* evidence of the facts therein stated. Although classified as a public document,[27] a notarized document is merely

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22 See *Arguelles, et al. v. Malarayat Rural Bank, Inc., supra* note 15, at 235-236, citing *Bank of Commerce v. Spouses San Pablo, Jr., supra* note 19.

23 503 Phil. 321 (2005).

24 *Abad v. Sps. Guimba, supra,* at 331-332. See also *Arguelles, et al. v. Malarayat Rural Bank, Inc.,* supra note 15, at 236; *Mercado v. Allied Banking Corporation,* 555 Phil. 411, 427 (2007); and *Bank of Commerce v. Spouses San Pablo, Jr., supra* note 19.

25 TSN, January 24, 2005, p. 4; TSN, February 15, 2005, pp. 3-5.

26 SEC. 23. *Public documents as evidence.* – Documents consisting of entries in public records made in the performance of a duty by a public officer are *prima facie* evidence of the facts therein stated. All other public documents are evidence, even against a third person, of the fact which gave rise to their execution and of the date of the latter.

27 Sec. 19, Rule 132 of the *Rules* provides:

SEC. 19. *Classes of Documents.* – For the purpose of their presentation in evidence, documents are either public or private.

Public documents are:

(a) The written official acts, or records of the official acts of the sovereign authority, official bodies and tribunals, and public officers, whether of the Philippines, or of a foreign country;

(b) Documents acknowledged before a notary public except last wills and testaments; and

(c) Public records, kept in the Philippines, of private documents required by law to the entered therein.

evidence of the fact which gave rise to their execution and of the date of the latter.[28] When the notarization is defective, the public character of the document is stripped off and it is reduced to a mere private document that should be examined under the parameters of Section 20, Rule 132 of the Rules, providing that "[b]efore any private document offered as authentic is received in evidence, its due execution and authenticity must be proved either *(a)* [b]y anyone who saw the document executed or written, or *(b)* [b]y evidence of the genuineness of the signature or handwriting of the maker."[29]

We rule that the evidentiary weight conferred upon the subject SPA with respect to its due execution and the presumption of regularity in its favor was rebutted by clear and convincing evidence.[30] Both testimonial and documentary evidence presented by Delfin effectively overcame and negated the legal presumptions. In the witness stand, he categorically denied that he signed the SPA and that he executed such document before a notary public. His assertion was confirmed by the entries in his passport, which indicated that he left the Philippines on November 24, 1995 and returned only on November 13, 1999.[31] Moreover, Martina, a tenant on the subject property, testified that Delfin could not have given authority to Marissa because he was then residing in the USA and just went home in November 1999 when Corazon died.[32] Records do not show that the SPA was pre-signed by Delfin in the USA or that it was actually signed by him in the presence of the alleged witnesses and/or the notary public. It was not proven that he appeared personally before the notary public to acknowledge that the SPA was his own free and voluntary act and deed. Considering that the notarization of the SPA is irregular, no probative value can be given thereto.[33] The burden of evidence shifts upon the Spouses De Guzman to prove the genuineness of Delfin's signature and the due execution of the SPA.[34] They utterly failed. Only Magtanggol testified for the defense. He did not present Marissa, the witnesses to the execution of the SPA, the notary public, or even a handwriting expert in order to corroborate his self-serving representations.

Bautista v. Silva[35] is relevant to the present controversy, but not in the way the CA had applied it. In resolving the question of as to what extent an

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All other writings are private.

Section 30 of Rule 132 of the *Rules* also states:

SEC. 30. *Proof of notarial documents.* – Every instrument duly acknowledged or proved and certified as provided by law, may be presented in evidence without further proof, the certificate of acknowledgment being *prima facie* evidence of the execution of the instrument or document involved.

28 See *Republic v. Gimenez*, G.R. No. 174673, January 11, 2016, 778 SCRA 261, 310-311.

29 See *Rural Bank of Cabadbaran, Inc. v. Melecio-Yap*, 740 Phil. 35, 49 (2014.

30 See *Rural Bank of Cabadbaran, Inc. v. Melecio-Yap, supra*, at 48.

31 TSN, November 22, 2004, p. 5.

32 TSN, November 4, 2004, pp. 5-6.

33 *China Banking Corp. v. Lagon*, 527 Phil. 143, 152 (2006).

34 See *Rural Bank of Cabadbaran, Inc. v. Melecio-Yap, supra* note 29, at 50.

35 *Supra* note 13.

inquiry into a notarized SPA should go in order for one to qualify as a buyer for value in good faith, this Court opined in said case:

> x x x [No] automatic correlation exists between the state of forgery of a document and the bad faith of the buyer who relies on it. A test has to be done whether the buyer had a choice between knowing the forgery and finding it out, or he had no such choice at all.
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> When the document under scrutiny is a special power of attorney that is ***duly notarized***, we know it to be a public document where the notarial acknowledgment is *prima facie* evidence of the fact of its due execution. A buyer presented with such a document would have no choice between knowing and finding out whether a forger lurks beneath the signature on it. The notarial acknowledgment has removed that choice from him and replaced it with a presumption sanctioned by law that the affiant appeared before the notary public and acknowledged that he executed the document, understood its import and signed it. In reality, he is deprived of such choice not because he is incapable of knowing and finding out but because, under our notarial system, he has been given the luxury of merely relying on the presumption of regularity of a duly notarized SPA. And he cannot be faulted for that because it is precisely that fiction of regularity which holds together commercial transactions across borders and time.
>
> In sum, ***all things being equal***, a person dealing with a seller who has possession and title to the property but whose capacity to sell is restricted, qualifies as a buyer in good faith if he proves that he inquired into the title of the seller as well as into the latters capacity to sell; and that in his inquiry, he relied on the notarial acknowledgment found in the sellers ***duly notarized*** special power of attorney. He need not prove anything more for it is already the function of the notarial acknowledgment to establish the appearance of the parties to the document, its due execution and authenticity.
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> Note that we expressly made the foregoing rule applicable only under the operative words "duly notarized" and "all things being equal." Thus, said rule should not apply when there is an apparent flaw afflicting the notarial acknowledgment of the special power of attorney as would cast doubt on the due execution and authenticity of the document; or when the buyer has actual notice of circumstances outside the document that would render suspect its genuineness.[36]

Similar to a buyer, the status of a mortgagee in good faith is never presumed but must be proven by the person invoking it.[37] Good faith connotes an honest intention to abstain from taking unconscientious advantage of another.[38] "Good faith, or the lack of it, is a question of intention. In ascertaining intention, courts are necessarily controlled by the

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36 *Bautista v. Silva, supra,* at 642-643. (Citations omitted).

37 See *Spouses Aggabao v. Parulan, Jr., et al.,* 644 Phil. 26, 38 (2010).

38 *Claudio v. Saraza, supra* note 15, at 369.

evidence as to the conduct and outward acts by which alone the inward motive may, with safety, be determined."[39]

We rule that, based on his own disclosures during the trial, Magtanggol could not be considered as a mortgagee in good faith because he had actual notice of facts that should have put him on deeper inquiry into Marissa's capacity to sell. He could not feign ignorance of Delfin's absence or whereabouts. The subject SPA was not yet existing at the time he first met Corazon and Marissa. It was him who required it from them. He testified that sometime in 1996, Corazon, together with her three daughters, went to their house to talk to him regarding the subject property that was mortgaged in favor of Greenline Lending Corporation, a financial institution based in Cabanatuan. Because he allegedly pitied Corazon, who was sickly at the time and in order to help in her medication, he agreed to their offer to mortgage the same property to him after he redeemed it from Greenline.[40] It was he who informed Corazon that she could not mortgage by herself alone and advised her to prepare an SPA to be used in their transaction.[41] With these admissions, it is but logical to infer that the only reason why he required the execution of the subject SPA was that he already knew, as a matter of fact, after inquiring into or being told of, the absence or whereabouts of Delfin. Despite this actual knowledge at the time the mortgage transaction was entered into, he did not question the due execution of the SPA and the resulting authority conferred upon Marissa; therefore, he is not a mortgagee in good faith.[42]

Assuming that there is truth to Magtanggol's claim that he did not know if Delfin signed the SPA and did not bother to ask whether he was the one who signed it because it was already well prepared, duly signed, and notarized, such omission clearly constitutes neglect in making the necessary inquiries. Notably, the REM was entered into on December 11, 1996, or merely a day after the SPA was purportedly executed on December 10, 1996. Where the mortgagee acted in haste in granting the mortgage loan and did not ascertain the authority of the supposed agent executing the mortgage, he cannot be considered an innocent mortgagee.[43] Moreover, considering the substantial loan amount of ₱210,000.00, Magtanggol should have undertaken steps to check Corazon's (and consequently, Marissa's) capacity to transfer any interest in the mortgaged land. Instead, he deliberately chose to close his eyes on a fact which should put a reasonable man on guard. Magtanggol was not a mortgagee in good faith not because he neglected to ascertain the authenticity of the title but because he did not check if the person he was dealing with had proper authority to mortgage the property.[44]

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39 *Land Bank of the Philippines v. Poblete,* 704 Phil. 610, 622 (2013).

40 TSN, January 24, 2005, pp. 3-4; TSN, February 15, 2005, p. 2.

41 *Id.* at 3; *id.* at 3.

42 See *Bautista v. Silva, supra* note 35, at 642-643 and *China Banking Corp. v. Lagon, supra* note 33.

43 See *Arguelles, et al. v. Malarayat Rural Bank, Inc., supra* note 15, at 239.

44 See *Abad v. Sps. Guimba, supra* note 23, at 332.

He clearly failed to observe the required degree of caution in ascertaining the genuineness of the SPA and the supposed authority of Marissa. He should not have simply relied on the face of the document submitted by Corazon and Marissa. When the person applying for the loan is other than the registered owner of the real property being mortgaged, it should have already raised a red flag and should have induced the mortgagee to make inquiries into and confirm the authority of the mortgagor.[45] A person who deliberately ignores a significant fact that could create suspicion in an otherwise reasonable person is not an innocent mortgagee for value.[46] The ruling in *Spouses Aggabao v. Parulan, Jr., et al.,*[47] although pertaining to a sales transaction, may be applied with equal force:

> Yet, it ought to be plain enough to the petitioners that the issue was whether or not they had diligently inquired into the authority of Ma. Elena to convey the property, not whether or not the TCT had been valid and authentic, as to which there was no doubt. Thus, we cannot side with them.
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> Firstly, the petitioners knew fully well that the law demanded the written consent of Dionisio to the sale, but yet they did not present evidence to show that they had made inquiries into the circumstances behind the execution of the SPA purportedly executed by Dionisio in favor of Ma. Elena. Had they made the appropriate inquiries, and not simply accepted the SPA for what it represented on its face, they would have uncovered soon enough that the respondents had been estranged from each other and were under *de facto* separation, and that they probably held conflicting interests that would negate the existence of an agency between them. To lift this doubt, they must, of necessity, further inquire into the SPA of Ma. Elena. The omission to inquire indicated their not being buyers in good faith, for, as fittingly observed in *Domingo v. Reed:*
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> > What was required of them by the appellate court, which we affirm, was merely to investigate – as any prudent vendee should – the authority of Lolita to sell the property and to bind the partnership. They had knowledge of facts that should have led them to inquire and to investigate, in order to acquaint themselves with possible defects in her title. The law requires them to act with the diligence of a prudent person; in this case, their only prudent course of action was to investigate whether respondent had indeed given his consent to the sale and authorized his wife to sell the property.
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> Indeed, an unquestioning reliance by the petitioners on Ma. Elena's SPA without first taking precautions to verify its authenticity was not a prudent buyer's move. They should have done everything within their means and power to ascertain whether the SPA had been genuine and

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45 *Bank of Commerce v. Spouses San Pablo, Jr., supra* note 19, at 823, as cited in *Land Bank of the Philippines v. Poblete,* 704 Phil. 610, 623 (2013) and *Arguelles, et al. v. Malarayat Rural Bank, Inc., supra* note 15, at 236.

46 *Claudio v. Saraza, supra* note 15, at 367; *Arguelles, et al. v. Malarayat Rural Bank, Inc., supra* note 15, at 236; *Land Bank of the Philippines v. Poblete, supra* note 45; and *Bank of Commerce v. Spouses San Pablo, Jr., supra* note 19, at 823.

47 *Supra* note 37.

> authentic. If they did not investigate on the relations of the respondents *vis-a-vis* each other, they could have done other things towards the same end, like attempting to locate the notary public who had notarized the SPA, or checked with the RTC in Manila to confirm the authority of Notary Public Atty. Datingaling. x x x.[48]

The falsity of the SPA could not be cured even if Magtanggol later on informed Delfin of the mortgage transaction and of the proceedings leading to the property's foreclosure, consolidation of title, and issuance of a new title. The sale (or encumbrance) of conjugal property without the consent of the husband was not merely voidable but void; hence, it could not be ratified.[49] A void contract is equivalent to nothing and is absolutely wanting in civil effects; it cannot be validated either by ratification or prescription.[50] Similar to other cases, *Spouses Ravina v. Villa Abrille, et al.*[51] already settled:

> Significantly, a sale or encumbrance of conjugal property concluded after the effectivity of the Family Code on August 3, 1988, is governed by Article 124 of the same Code that now treats such a disposition to be void if done (a) without the consent of both the husband and the wife, or (b) in case of one spouses inability, the authority of the court. Article 124 of the Family Code, the governing law at the time the assailed sale was contracted, is explicit:
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> > ART. 124. The administration and enjoyment of the conjugal partnership property shall belong to both spouses jointly. In case of disagreement, the husband's decision shall prevail, subject to recourse to the court by the wife for proper remedy which must be availed of within five years from the date of the contract implementing such decision.
> >
> > In the event that one spouse is incapacitated or otherwise unable to participate in the administration of the conjugal properties, the other spouse may assume sole powers of administration. These powers do not include the powers of disposition or encumbrance which must have the authority of the court or the written consent of the other spouse. **In the absence of such authority or consent, the disposition or encumbrance shall be void**. However, the transaction shall be construed as a continuing offer on the part of the consenting spouse and the third person, and may be perfected as a binding contract upon the acceptance by the other spouse or authorization by the court before the offer is withdrawn by either or both offerors. (Emphasis supplied.)

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48 *Spouses Aggabao v. Parulan, Jr., et al., supra*, at 40-41. (Citations omitted).
49 *Id.* at 29.
50 *Fuentes, et al. v. Roca, et al.*, 633 Phil. 9, 20 (2010).
51 619 Phil. 115 (2009).

> The particular provision in the New Civil Code giving the wife ten (10) years to annul the alienation or encumbrance was not carried over to the Family Code. It is thus clear that alienation or encumbrance of the conjugal partnership property by the husband [or wife] without the consent of the wife [or husband] is null and void.
>
> Hence, just like the rule in absolute community of property, if the husband [or wife], without knowledge and consent of the wife [or husband], sells conjugal property, such sale is void. If the sale was with the knowledge but without the approval of the wife [or husband], thereby resulting in a disagreement, such sale is annullable at the instance of the wife [or husband] who is given five (5) years from the date the contract implementing the decision of the husband [or wife] to institute the case.[52]

As the forged SPA and REM are void *ab initio*, the foreclosure proceedings conducted on the strength thereof suffer from the same infirmity. Being not a mortgagee in good faith and an innocent purchaser for value at the auction sale, Magtanggol is not entitled to the protection of any right with respect to the subject property. Since it was not shown that the property has been transferred to a third person who is an innocent purchaser for value (because no intervention or third-party claim was interposed during the pendency of this case), it is but proper that the ownership over the contested lot should be retained by Delfin.

WHEREFORE, the petition for review on *certiorari* is **GRANTED**. The July 30, 2012 Decision and February 13, 2013 Resolution of the Court of Appeals in CA-G.R. CV No. 87784 are **REVERSED AND SET ASIDE**. The November 10, 2005 Decision and January 25, 2006 Order of Regional Trial Court, Branch 33, Guimba, Nueva Ecija, are **REINSTATED AND UPHELD**.

SO ORDERED.

DIOSDADO M. PERALTA
Associate Justice

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52 *Spouses Ravina v. Villa Abrille, et al., supra,* at 123-124.

WE CONCUR:

ANTONIO T. CARPIO
Associate Justice
Chairperson

On official leave
JOSE CATRAL MENDOZA
Associate Justice

MARVIC M.V.F. LEONEN
Associate Justice

On official leave
SAMUEL R. MARTIRES
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.

ANTONIO T. CARPIO
Associate Justice
Chairperson, Second 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.

MARIA LOURDES P. A. SERENO
Chief Justice