

Republic of the Philippines Supreme Court Manila

SECOND DIVISION

ADORACION L. BASILIO AND

G.R. No. 223763

LOLITA P. LUCERO,

Petitioners,

Present:

- versus -

PERLAS-BERNABE, S.A.J.,

Chairperson,

PERLA CALLO,

Respondent.

GESMUNDO, LAZARO-JAVIER, LOPEZ, and

ROSARIO,* JJ.

Promulgated:

23 NUV 2020

DECISION

PERLAS-BERNABE, J.:

Before the Court is a petition for review on *certiorari*¹ assailing the Decision² dated September 30, 2015 and the Resolution³ dated March 18, 2016 of the Court of Appeals (CA) in CA-G.R. CV No. 97617, which reversed and set aside the Decision⁴ dated July 5, 2011 of the Regional Trial Court of Iba, Zambales, Branch 71 (RTC) in Civil Case No. RTC-2450-I that granted the complaint for reconveyance, *accion publiciana*, and cancellation of title

¹ *Rollo*, pp. 11-31.

³ Id. at 54-55,

^{*} Designated Additional Member per Special Order No. 2797 dated November 5, 2020.

Id. at 38-51. Penned by Associate Justice Ramon Paul L. Hernando (now a Member of the Court) with Associate Justices Jose C. Reyes, Jr. (retired Member of the Court) and Stephen C. Cruz, concurring.

Id. at 57-69. Penned by Presiding Judge Consuelo Amog-Bocar.

with damages filed by petitioners Adoracion L. Basilio and Lolita P. Lucero (Lolita; collectively, petitioners) against respondent Perla Callo (respondent).

The Facts

The instant controversy stemmed from a complaint⁵ for reconveyance, *accion publiciana*, and cancellation of title with damages filed by petitioners against respondent before the RTC, seeking to: (a) recover a 12,459-square meter parcel of land located at West Dirita, San Antonio, Zambales, designated as Lot No. 4462 (subject lot), covered by Original Certificate of Title (OCT) No. P-24666⁶ in respondent's name; and (b) annul OCT No. P-24666.

Petitioners claimed to be direct descendants of Eduveges Bañaga⁷ (Eduveges) who died intestate on September 24, 1921, leaving several parcels of land, including the subject lot which was declared in Eduveges' name. Per Final Project of Partition⁸ of Eduveges' estate executed in 1973,⁹ the subject lot was awarded to petitioners, among others, as children of Eduveges' daughter Rufina Pascasio (Rufina) who passed away on December 30, 1943.¹⁰

On March 25, 1971, Librada¹¹ Lucero, one of Rufina's eight (8) children, ¹² mortgaged a one-half (½) undivided portion of the subject lot to spouses Edilberto and respondent Perla Callo (Sps. Callo) for the amount of ₱2,800.00 under a Deed of Mortgage of Real Property¹³ (1971 mortgage), which allowed Sps. Callo to enter and till the land until payment of the loan. ¹⁴ In March 1974, a 5/8 portion of the same lot was mortgaged¹⁵ to Sps. Callo by Librada, petitioners and their other sibling, Remedios ¹⁶ (collectively, *Luceros*), for the amount of ₱6,300.00, ¹⁷ while the remaining 3/8 was mortgaged to Eulalio Callo, Edilberto's father, for the amount of ₱3,800.00 (1974 mortgage). The mortgage, which allowed the mortgagees to cultivate the land, was redeemable within five (5) years. ¹⁸ The mortgage was

Id. at 91-93. Dated September 19, 2006.

⁶ ld. at 140, including dorsal portion.

⁷ "Eduvegez Bañaga" or "Eduviges Bañaga" in some parts of the records.

Records, pp. 229-237. Docketed as Special Proceedings No. 346.

See Formal Offer of Evidence; id. at 223.

¹⁰ See id. at 229.

¹¹ Erroneously stated as Lolita. See rollo, p. 92.

See Final Project of Partition; records, p. 229.

Rollo, p. 138. The mortgage document shows that petitioners, as well as Remedios Lucero, were witnesses thereto.

¹⁴ See id. at 39 and 57.

While the Deed of Mortgage of Real Property dated March 2, 1974, which was marked during the preliminary conference as Exhibit "6" for respondent, was adopted during the pre-trial conference, respondent was not able to formally offer the same as she was deemed to have waived her right to do so. See Minutes of Preliminary Conference held on January 8, 2007 (records, p. 39), Order dated January 18, 2007 (records, p. 58), and Order dated April 26, 2011 (records, p. 304).

⁶ See TSN, September 16, 2010; id. at 283.

See Supplemental Report dated May 23, 2006 written by Spl. Land Investigator Emelita A. Lambinicio; records, p. 246. See also TSN, February 15, 2007; id. at 72.

¹⁸ See *rollo*, pp. 58-59.

supposedly extinguished by the full payment of the loan on March 29, 1996, and the corresponding Release of Mortgage¹⁹ (1996 Release of Mortgage) was executed by Sps. Callo. Thereafter, petitioners demanded Sps. Callo to vacate the subject lot but they refused. Instead, they filed a petition for security of tenure against Lolita before the Department of Agrarian Reform Adjudication Board (DARAB), seeking to be recognized as tenants over the subject lot, and not to be ejected therefrom, which was, however, dismissed.²⁰

On May 25, 2006, petitioners went to Olongapo City to process the survey of the subject lot preliminary to its titling in their names, but learned that the same was already registered in the name of respondent under OCT No. P-24666, prompting the filing of the complaint alleging that the said title was secured through fraud and under a fictitious and anomalous claim of ownership.²¹

In her Answer with Compulsory Counterclaim, 22 respondent averred that: (a) she acquired her title legally after complying with the requirements of the law; (b) whatever rights petitioners may have over the subject lot had long been waived, the subject lot being a public land, untitled, with no pending application for patent prior to her application; (c) she had been in uninterrupted possession of the subject lot for over 35 years publicly in the concept of owner; and (d) petitioners have no cause of action against her and are not the real parties-in-interest. 23

The RTC Ruling

In a Decision²⁴ dated July 5, 2011, the RTC found that respondent committed fraud in procuring a free patent and later, a torrens title in her name when she: (a) misrepresented that she had lawful claim to the subject lot; and (b) concealed the fact that her occupancy and possession thereof were by virtue of a mortgage which had already been terminated. Thus, it declared OCT No. P-24666 null and void *ab initio*, and without legal force and effect, and accordingly, ordered respondent to reconvey and peacefully surrender possession of the subject lot to petitioners, and to pay ₱50,000.00 attorney's fees and the costs of suit.²⁵

Aggrieved, respondent appealed to the CA.



¹⁹ Id. at 139.

See id. at 92. See also Decision dated July 18, 1997 in DARAB Case No. R-0307-0002-96; id. at 101-103. Penned by Provincial Adjudicator Benjamin M. Yambao.

²¹ See id.

²² Id. at 106-108.

²³ See id. at 39-40 and 107.

²⁴ Id. at 57-69.

²⁵ See id. at 67-69.

The CA Ruling

In a Decision²⁶ dated September 30, 2015, the CA reversed and set aside the RTC Decision, holding that petitioners failed to show clear and convincing evidence of their title to the subject lot and the fact of fraud on the part of respondent in registering the same, and thereby dismissed the complaint.²⁷

Dissatisfied, petitioners sought reconsideration, which was, however, denied in a Resolution²⁸ dated March 18, 2016; hence, this petition.

The Issue Before the Court

The sole issue for the Court's resolution is whether or not the CA correctly dismissed the complaint.

The Court's Ruling

The petition is partly meritorious.

At the time respondent filed her free patent application before the Community Environment and Natural Resources Office III-3, Olongapo City (CENRO) on February 9, 2006,²⁹ the governing law was Section 44, Chapter VII of Commonwealth Act No. (CA) 141,³⁰ as amended by Republic Act No. (RA) 6940,³¹ which laid down the <u>requirements an applicant must satisfy before a free patent is granted</u>, thus:

SECTION 44. Any natural-born citizen of the Philippines who is not the owner of more than twelve (12) hectares and who, for at least thirty years (30) prior to the effectivity of this amendatory Act, has continuously occupied and cultivated, either by himself or through his predecessors-in-interest a tract or tracts of agricultural public lands subject to disposition, who shall have paid the real estate tax thereon while the same has not been occupied by any person shall be entitled, under the provisions of this Chapter, to have a free patent issued to him for

²⁶ Id. at 38-51.

²⁷ See id. at 41-50.

²⁸ Id. at 54-55.

See Report dated February 10, 2006 signed by Spl. Land Investigator/LMI/DPLI Emelita A. Lambinicio; records, p. 245.

Entitled "AN ACT TO AMEND AND COMPILE THE LAWS RELATIVE TO LANDS OF THE PUBLIC DOMAIN," otherwise known as "The Public Land Act," approved on November 7, 1936.

Entitled "An ACT Granting a Period Ending on December 31, 2000 for Filing Applications for Free Patent and Judicial Confirmation of Imperfect Title to Alienable and Disposable Lands of the Public Domain under Chapters VII and VIII of the Public Land Act (CA 141, as Amended)," approved on March 28, 1990. RA 9176 (approved on November 13, 2002) extended until December 31, 2020 the period for the filing of applications for administrative legalization (free patent) and judicial confirmation of imperfect and incomplete titles to alienable and disposable lands of the public domain.

such tract or tracts of such land not to exceed twelve (12) hectares. (Emphases supplied).

The case of *Taar v. Lawan*³² summarized the concurring requirements a free patent applicant must satisfy, namely: (1) the applicant must be a natural-born citizen of the Philippines; (2) the applicant must not own more than 12 hectares of land; (3) the applicant or his or her predecessor-in-interest must have continuously occupied and cultivated the land; (4) the continuous occupation and cultivation must be for a period of at least 30 years before April 15, 1990, which is the date of effectivity of RA 6940; and (5) payment of real estate taxes on the land while it has not been occupied by other persons.³³

In the present case, respondent admitted having come into possession and cultivation of the subject lot only by virtue of the mortgage executed by the *Luceros*.³⁴ Hence her possession fell short of the legal requisites considering that: (a) possession was <u>not</u> (i) in the concept of owner since she had effectively affirmed petitioners' ownership when she and her husband filed the DARAB petition for security of tenure as tenants in 1996 after the mortgage was redeemed and (ii) continuous for at least 30 years prior to April 15, 1990 or at least since April 15, 1960 as required by law; and (b) payment of real taxes was made after the same land had been occupied and continuously declared under the name of Eduveges.

Under Section 91 of CA 141, as amended, "the statements made in the application shall be considered as essential conditions and parts of any concession, title, or permit issued on the basis of such application, and any false statements therein or omission of facts altering, changing, or modifying the consideration of the facts set forth in such statements, and any subsequent modification, alteration, or change of the material facts set forth in the application shall *ipso facto* produce the cancellation of the concession, title, or permit granted. x x x." While respondent's free patent application was not presented before the courts below, records show that she admitted the fact of mortgage, and that she unilaterally appropriated the subject lot despite the redemption of the mortgage. Only the possession acquired and enjoyed in the concept of owner can serve as a title for acquiring dominion.³⁵ Verily, possession by virtue of a mortgage, especially one which had already been redeemed is incompatible with possession in the concept of owner. For this reason alone, respondent was not entitled to a free patent to the subject lot.

Neither can respondent claim possession in the concept of owner by virtue of the mere lapse of the redemption period because the same would amount to *pactum commissorium*, which is prohibited by law. Settled is the

^{32 820} Phil. 26 (2017).

³³ Id. at 54. Also cited in Jaucian v. De Joras, G.R. No. 221928, September 5, 2018.

³⁴ See *rollo*, p. 62.

³⁵ See Article 540 of the Civil Code.

rule that the mortgagor's default does not operate to vest the mortgagee the ownership of the mortgaged property. Before perfect title over a mortgaged property may be secured by the mortgagees, they must, in case of non-payment of the debt, foreclose the mortgage first and thereafter purchase the mortgaged property at the foreclosure sale.³⁶ Thus, upon the expiration of the five (5) year redemption period, mortgagees Sps. Callo *should have* foreclosed the mortgage, but they did not do so. *Instead*, they accepted payment from Lolita despite the lapse of the redemption period, and executed the corresponding release of mortgage. Respondent even admitted that the March 1974 mortgage, which was a renewal of the 1971 mortgage,³⁷ had indeed been redeemed.³⁸

Respondent's failure to state in her free patent application that the mortgage by reason of which she took possession of the subject lot had already been redeemed, and that she unilaterally appropriated the subject lot without foreclosing the mortgage amounted to a concealment of material facts belying claim of possession in the concept of owner. These acts were constitutive of fraud and misrepresentation within the context of Section 91 of CA 141, as amended, and were sufficient to cause *ipso facto* the cancellation of her free patent and title. Accordingly, the nullity of respondent's Free Patent No. 037109 0617641 and the title issued pursuant thereto should be declared.

On the other hand, petitioners' claim of ownership over the subject lot was based on their alleged right as heirs of the averred owner Eduveges, who had declared the same for tax purposes under her name, and which rights they acquired on the basis of a Final Project of Partition³⁹ of Eduveges' estate. Records show that Eduveges was the prior occupant and cultivator of the subject lot, and was the <u>recorded survey claimant</u> as of 1944,⁴⁰ whose heirs had continuously possessed and cultivated the subject lot until the same was mortgaged to Sps. Callo in 1974, redeemable within five (5) years.⁴¹

At that time, the law governing the <u>acquisition of alienable and disposable agricultural lands of the public domain</u> was CA 141, as amended by RA 3872.⁴² Applicants were free to avail of any of the two (2) modes, *i.e.*, administrative legalization or judicial legalization. However, under both modes, there must be continuous occupation and cultivation either by the applicant himself or through his predecessors-in-interest of agricultural lands

³⁶ See *Ramirez v. CA*, 456 Phil. 345, 353 (2003).

³⁷ See TSN, September 16, 2010; records, p. 284.

³⁸ See TSN, November 11, 2010; id. at 295.

³⁹ See id. at 229-237.

Eduveges passed away on September 24, 1921 (see id. at 229); hence, possession is implicitly even <u>prior</u> to 1944.

See Supplemental Report dated May 23, 2006 written by Spl. Land Investigator Emelita A. Lambinicio; id. at 245-246.

Entitled "AN ACT TO AMEND SECTIONS FORTY-FOUR, FORTY-EIGHT AND ONE HUNDRED TWENTY OF COMMONWEALTH ACT NUMBERED ONE HUNDRED FORTY-ONE, AS AMENDED, OTHERWISE KNOWN AS THE 'PUBLIC LAND ACT', AND FOR OTHER PURPOSES," approved on June 18, 1964.

of the public domain for a certain length of time. Section 44⁴³ thereof, which governs the administrative legalization by free patent requires possession from July 4, 1926 or prior thereto. On the other hand, Section 48 (b)⁴⁴ provides that when the conditions specified therein -i.e. (a) continuous, exclusive, and notorious possession and occupation of agricultural lands of the public domain, (b) bona fide claim of acquisition or ownership, and (c) possession and occupation for at least thirty years – are complied with, the possessor is deemed to have acquired, by operation of law, a right to a government grant, without necessity of a certificate of title being issued, and the land ceases to be part of the public domain and beyond the authority of the **Director of Lands**. Thus, if by legal fiction, the possessor had acquired the land in question by grant of the State, it had already ceased to be part of the public domain and had become private property, at least by presumption, beyond the control of the Director of Lands. 45 Case law has, thus, recognized, that in such cases, confirmation proceedings would, in truth be little more than a formality, at the most limited to ascertaining whether the possession claimed is of the required character and length of time; and registration thereunder would not confer title, but simply recognize a title already vested. The proceedings would not originally convert the land from public to private land, but only confirm such a conversion already effected by operation of law from the moment the required period of possession became_complete.46

Section 48. The following-described citizens of the Philippines, occupying lands of the public domain or claiming to own any such lands or an interest therein, but whose titles have not been perfected or completed, may apply to the Court of First Instance of the province where the land is located for confirmation of their claims and the issuance of a certificate of title therefor, under the Land Registration Act, to wit:

 $x \times x \times x$

Section 44. Any natural-born citizen of the Philippines who is not the owner of more than twenty-four hectares and who since <u>July fourth</u>, <u>nineteen hundred and twenty-six or prior thereto</u>, has continuously occupied and cultivated, either by himself or through his predecessors-in-interest, a tract or tracts of agricultural public lands subject to disposition, or who shall have paid the real estate tax thereon while the same has not been occupied by any person shall be entitled, under the provisions of this chapter, to have a free patent issued to him for such tract or tracts of such land not to exceed twenty-four hectares.

A member of the national cultural minorities who has continuously occupied and cultivated, either by himself or through his predecessors-in-interest, a tract or tracts of land, whether disposable or not since July 4, 1955, shall be entitled to the right granted in the preceding paragraph of this section: *Provided*, That at the time he files his free patent application he is not the owner of any real estate secured or disposable under this provision of the Public Land Law. (Underscoring supplied) Section 48 (b) reads:

⁽b) Those who by themselves or through their predecessors-in-interest have been, in continuous, exclusive, and notorious possession and occupation of agricultural lands of the public domain, under a bona fide claim of acquisition or ownership, for at least thirty years immediately preceding the filing of the application for confirmation of title, except when prevented by war of force majeure. Those shall be conclusively presumed to have performed all the conditions essential to a government grant and shall be entitled to a certificate of title under the provisions of this chapter. (Emphasis and underscoring supplied)

⁴⁵ See Abejaron v. Nabasa, 411 Phil. 552, 566-567 (2001), citing Susi v. Razon. 48 Phil. 424, 427-428 (1925).

⁴⁶ Id. at 568-569, citing Director of Lands v. Intermediate Appellate Court, 230 Phil. 590, 602 (1986).

In this case, no less than the land investigator who recommended the grant of respondent's application for free patent recognized petitioners' and their predecessor's occupation and cultivation as early as 1944. Thus, when the mortgage was constituted in 1974,⁴⁷ petitioners have been possessors in the concept of owners of the subject lot, which is an alienable and disposable land,⁴⁸ for at least thirty (30) years, and as such, have in their favor the **conclusive presumption** that the subject lot had ceased to be public land.

That the subject lot was not registered under the name of the heirs of Eduveges (Eduveges heirs) prior to the issuance of OCT No. P-24666 in respondent's name would not effectively deny the remedy of reconveyance to the former. An action for reconveyance is a legal and equitable remedy granted to the rightful landowner, whose land was wrongfully or erroneously registered in the name of another, to compel the registered owner to transfer or reconvey the land to him. 49 At the time the subject lot was mortgaged in 1974, the Eduveges heirs already possessed the essential requisites for judicial confirmation of an imperfect title under CA 141, having completed the required thirty (30)-year period of open, continuous, adverse and public possession of the subject lot in the concept of owners. Thus, it cannot be gainsaid that the Eduveges heirs, by themselves and through their predecessors-in-interest, had already acquired a vested right over the subject lot, which conferred an effective title on them as such possessors on account of which the land ceased to be public, to become private property, at least by presumption. Notably, respondent continuously recognized the Eduveges heirs' ownership as she even allowed the redemption of the subject lot despite the long lapse of the redemption period, and thereafter, filed the DARAB case seeking to be recognized as tenants thereon. If at all, she only started claiming an adverse interest thereon in 2006 when she filed the free patent application, secured an assessment notice over the subject lot, and paid the realty taxes thereon for the first time in her name. Meanwhile, the subject lot was continuously declared in Eduveges' name. Considering the foregoing, the Eduveges heirs' real right of possession over the subject lot cannot be said to have already been lost. 50 Hence, petitioners' right, as heirs of Eduveges, to ask for the reconveyance of the subject lot is irrefutable.

As a rule, a free patent that was fraudulently acquired, and the certificate of title issued pursuant to the same, may only be assailed by the government in an action for reversion pursuant to Section 101 of CA 141, as amended.⁵¹ A recognized exception is that situation where plaintiff-claimant seeks direct reconveyance from defendant public land unlawfully and in breach of trust titled by him, on the principle of enforcement of a constructive trust. Thus, a private individual may bring an action for reconveyance of a parcel of land

See Supplemental Report dated May 23, 2006 written by Spl. Land Investigator Emelita A. Lambinicio; records, pp. 245-246.

⁴⁸ See id. at 247.

⁴⁹ Lorzano v. Tabayag, Jr., 681 Phil. 39, 57 (2012).

See Article 555 of the Civil Code, which pertinently provides that the real right of possession is not lost till after the lapse of ten years.

Lorzano v. Tabayag, Jr., supra at 49.

even if the title thereof was issued through a free patent to show that the person who secured the registration of the questioned property is not the real owner thereof.⁵² In sum, since respondent's possession was not shown to be in the concept of an owner, and that the land applied for had ceased to be part of the public domain by reason of the operation of RA 3872 in favor of the Eduveges heirs, the reversal of the assailed decision is in order.

At this juncture, we deem it necessary to reiterate our disquisition in *Naval v. Court of Appeals*, 53 thus:

The fact that petitioner was able to secure a title in her name did not operate to vest ownership upon her of the subject land. Registration of a piece of land under the Torrens System does not create or vest title, because it is not a mode of acquiring ownership. A certificate of title is merely an evidence of ownership or title over the particular property described therein. It cannot be used to protect a usurper from the true owner; nor can it be used as a shield for the commission of fraud; neither does it permit one to enrich himself at the expense of others. Its issuance in favor of a particular person does not foreclose the possibility that the real property may be co-owned with persons not named in the certificate, or that it may be held in trust for another person by the registered owner. (Emphasis supplied)

WHEREFORE, the instant petition is PARTLY GRANTED. The Decision dated September 30, 2015 and the Resolution dated March 18, 2016 of the Court of Appeals in CA-G.R. CV No. 97617 are hereby REVERSED and SET ASIDE. A new judgment is rendered declaring: (a) Free Patent No. 037109 0617641 and the corresponding Original Certificate of Title No. P-24666 issued by the Register of Deeds of Zambales in the name of respondent Perla Callo as null and void ab initio; (b) the heirs of Eduveges Bañaga, represented by petitioners Adoracion L. Basilio and Lolita Lucero as the rightful owners of the subject lot; and (c) the Eduveges heirs as entitled to either judicial confirmation or administrative legalization of their incomplete or imperfect title, subject to compliance with the requirements therefor.

Costs against respondent.

SO ORDERED.

ESTELA M. PERLAS-BERNABI

Senior Associate Justice

⁵² Id. at 55.

⁵³ 518 Phil. 271, 282-283 (2006); citations omitted.

WE CONCUR:

ALEXANDER G. GESMUNDO

AH

Associate Justice

Apsociate Justice

RICARDO R ROSARIO

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.

ESTELA M. PERLAS-BERNABE

Senior 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.

DIOSDADO M. PERALTA

Chief Justice