Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

SPOUSES ORENCIO S. MANALESE and ELOISA B. MANALESE, AND ARIES B. MANALESE, Petitioners,	**G.R. No. 254046**
	Present:
- versus -	CAGUIOA, *J., Chairperson,* INTING, GAERLAN, DIMAAMPAO, and SINGH,* *JJ.*
THE ESTATE OF THE LATE SPOUSES NARCISO and OFELIA FERRERAS, represented by its Special Administrator, DANILO S. FERRERAS, Respondent.	Promulgated: November 25, 2024 MisDCBatt

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DECISION

CAGUIOA, *J.:*

Before the Court is a Petition for Review on Certiorari[1] (Petition) under Rule 45 of the Rules of Court filed by petitioners Spouses Orencio S. Manalese (Orencio) and Eloisa B. Manalese (Eloisa) (Spouses Manalese) and Aries B. Manalese (Aries) (collectively, petitioners) assailing the Decision[2] dated February 18, 2020 and Resolution[3] dated October 15, 2020 of the Court of Appeals in CA-G.R. CV No. 110133. The CA Decision partly granted the appeal of petitioners while the CA Resolution denied their motion for reconsideration (MR).

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* On official business.

1 *Rollo*, pp. 11–52, excluding Annexes.

2 *Id.* at 57–73. Penned by Associate Justice Myra V. Garcia-Fernandez and concurred in by Associate Justices Pedro B. Corales and Ruben Reynaldo G. Roxas of the Special Second Division, CA, Manila.

3 *Id.* at 54–55. Penned by Associate Justice Myra V. Garcia-Fernandez and concurred in by Associate Justices Pedro B. Corales and Ruben Reynaldo G. Roxas of the Former Special Second Division, CA, Manila.

The Facts and Antecedent Proceedings

The CA Decision narrates the factual antecedents as follows:

> The properties subject of the case are two parcels of land located in Sta. Teresita, Angeles City covered by Transfer Certificate of Title (TCT) No. 69711 and TCT No. 69712 with an area of 351 square meters and 340 square meters, respectively, and registered in the name of Spouses Narciso and Ofelia Ferreras [(Spouses Ferreras)]. Narciso Ferreras [(Narciso)] died on August 22, 2005 while Ofelia Ferreras [(Ofelia)] died on September 4, 1992. The two properties formed part of the estate of the Spouses Ferreras after their deaths. Danilo Ferreras [(Danilo)] was duly appointed special administrator of their estate pursuant to the order of the [Regional Trial Court (RTC)] of Angeles City, Branch 59 dated December 13, 2007 in Special Proceeding Case No. 7546.
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> Defendant Carina Pinpin [(Pinpin)] occupied the said properties by mere tolerance of Narciso . . . and failed to vacate the same despite written demands made by Danilo. . ., thus, on January 13, 2011, a complaint for ejectment with damages docketed as Civil Case No. 11-859 was filed against her with the Municipal Trial Court of Angeles City, Branch II (MTC). On March 4, 2011, the MTC rendered a decision in favor of the [e]state of [Spouses] Ferreras, represented by Danilo . . ., ordering . . . Pinpin and all persons claiming rights under her to vacate and surrender possession of the two . . . properties covered by TCT No. 69711 and TCT No. 69712, pay reasonable rents plus legal interest, attorney's fees and cost of suit. On April 18, 2011, the MTC issued a writ of execution to implement the decision in favor of the estate of [Spouses] Ferreras, but before it could be executed against . . . Pinpin, Spouses . . . Manalese and their son Aries . . . filed a complaint docketed as SCA Case No. 11-368 with the RTC of Angeles City, Branch 58 for injunction with a prayer for temporary restraining order (TRO) and/or writ of preliminary injunction praying that [the] implementation of the writ of execution . . . in Civil Case No. 11-859 be enjoined. It was only upon receipt of [a] copy of the petition for injunction in SCA Case No. 11-368 that Danilo . . . learned of the issuance of TCT No. 198220 and TCT No. 198221 in the name of Eloisa . . . and Aries . . . over the subject properties owned by the estate of [Spouses] Ferreras.
>
> Upon further inquiry with the Registry of Deeds of Angeles City [(RD)], Danilo . . . discovered that TCT No. 198220 and TCT No. 198221 in the name of Eloisa . . . and Aries . . ., emanated from two titles, namely TCT No. 181052 and TCT No. 181053 issued in the name of . . . Pinpin. Apparently, . . . Pinpin obtained the two titles in her name based on a Deed of Absolute Sale dated May 11, 2009 purportedly executed by [Spouses] Ferreras selling and transferring ownership of the subject properties to her on May 11, 2009 for the amount of [PHP] 250,000.00. Thereafter on September 20, 2010, . . . Pinpin executed a Deed of Absolute Sale in favor of Eloisa . . . and Aries . . ., which [led] to the issuance of the titles in the latter's names. According to Danilo . . ., he was all the while in possession of the original owner's duplicate copy of TCT No. 69711 and TCT No. 69712 in the name of [Spouses] Ferreras but . . . Pinpin fraudulently procured spurious titles in her name by [virtue of an affidavit of loss,[4]]

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[4] *Id.* at 100 and 103, Annexes "G" and "H" of the Petition.

declaring the owner's duplicate copies thereof as lost and annotat[ed as] Entry No. 2659 on September 26, 2005.

On November 3, 2011, [the] estate of [Spouses] Ferreras through Danilo . . .[, as plaintiff,] filed a complaint docketed as Civil Case No. 14778 against [Spouses] Manalese, Aries . . . and . . . Pinpin for annulment of titles and declaration of nullity of sale. The complaint alleged among others, that [Spouses] Ferreras could not have possibly executed the deed of absolute sale in favor of . . . Pinpin on May 11, 2009 because Ofelia . . . died in 1992 while Narciso . . . died in 2005; and that TCT No. 181052 and TCT No. 181053 issued in the name of . . . Pinpin based on the said deed of sale, the subsequent sale of the two properties to [Spouses] Manalese, et al., and the titles issued in their names, are all void. [The estate of Spouses Ferreras] prayed that: 1) TCT No. 181052 and TCT No. 181053 in the name of . . . Pinpin, TCT No. 198220 and TCT No. 198221 in the name of Eloisa . . . and Aries . . ., the deed of absolute sale dated May 11, 2009 in favor of . . . Pinpin, and the deed of absolute sale dated September 20, 2010 in favor of Eloisa . . . and Aries . . ., be declared void; 2) TCT No. 69711 and TCT No. 69712 issued in the name of [Spouses] Ferreras be reinstated; and . . . [Spouses] Manalese and Aries . . . and defendant . . . Pinpin be ordered to jointly and severally pay moral damages of [PHP] 100,000.00, exemplary damages of [PHP] 100,000.00, attorney's fees of [PHP] 100,000.00 and costs of suit.

In their answer, [Spouses Manalese and Aries] alleged that they are the registered owners of the subject properties, having validly acquired the same from . . . Pinpin for the amount of [PHP] 750,000.00 as evidenced by a deed of absolute sale dated September 20, 2010; that . . . Pinpin was able to prove good title to the properties; that . . . Pinpin asked to remain on the premises until the end of the school year in April 2011 because her grandchildren were staying with her; that on April 13, 2011 Aries . . . and his family occupied the properties; that on April 29, 2011, they received a notice from the Sheriff of the MTC of Angeles City ordering . . . Pinpin to vacate the premises; that it was only then that they found out about the complaint for ejectment against . . . Pinpin; and that they are innocent purchasers for value and registered owners of the properties in question, thus they cannot be deprived of their right to use and enjoy the same.

On the other hand, summons was served by publication on defendant . . . Pinpin because she was no longer residing at the given address. On May 12, 2014, defendant . . . Pinpin was declared in default.

Meanwhile, the RTC of Angeles City, Branch 58 issued an order dated January 24, 2012 denying the application for a TRO and/or writ of preliminary injunction of [Spouses] Manalese and Aries . . . in SCA Case No. 11368. In that case, the RTC held that [Spouses] Manalese and Aries . . . failed to exhaustively dig into the validity of . . . Pinpin's ownership/title to the subject properties before proceeding with the sale, thus, they are deemed to be buyers in bad faith under the principle of *caveat emptor*. The RTC noted further that [Spouses] Manalese and Aries . . . failed to submit the deed of sale between them and Pinpin in evidence, hence, it ruled that they are not entitled to the injunctive relief prayed for.

On September 13, 2017, the RTC of Angeles City, Branch 57 rendered a decision in Civil Case No. 14778 in favor of [the estate of Spouses Ferreras] holding as follows:

"...

[Danilo] also discovered that . . . Pinpin was able to procure and obtain TCT Nos. 181052 and 181053 in her name by virtue of a [d]eed of [s]ale dated May 11, 2009 but . . . Pinpin cannot claim that she acquired through sale . . . the subject properties from [S]pouses Ferreras on May 11, 2009 as annotated at the back of the original TCT Nos. 69711 and 69712 under Entry No. 1116 because it was impossible for her to do so because Narciso . . . died on August 22, 2005 while Ofelia . . . died on September 4, 1992. . . . Pinpin's fraudulent procurement of her titles is bolstered by the fact that the owner's duplicate copies of TCT Nos. 69711 and 69712 in the names of [S]pouses Ferreras had been declared lost by virtue of the Affidavit of Loss annotated at the back of the titles under Entry No. 2659 when in truth and in fact, the original owner's duplicate cop[ies] of the said titles are in Danilo['s] possession.

....

On the other hand and in brief, [Spouses Manalese and Aries] maintained that . . . Pinpin owe[d] them [PHP] 2,550,000.00 and that Pinpin offered to them the house and two lots which she allegedly owned. Pinpin then showed them TCT Nos. 181052 and 181053 and the house and lots located in Sta. Teresita, Angeles City. The Manaleses and . . . Pinpin agreed that the Manaleses [would] pay only [PHP] 750,000.00 cash to Pinpin and the [PHP] 2,550,000.00 loan to Pinpin [would] be considered paid but the amount reflected in the [d]eed of [a]bsolute [s]ale [would] only be [PHP] 750,000.00 to avoid tax payments. . . . Orencio . . . went to the [RD] to verify the titles and [he was] told by one of the employees that Pinpin [could] sell the properties and [they were] clean title[s]. They signed a deed of sale at the office of Atty. Angela Abrea [(Atty. Abrea)] on September 20, 2010 and it was notarized by Atty. Abrea and they gave [PHP] 750,000.00 to Pinpin who gave them the originals of the two titles and the deed of sale. They asked a friend who [knew] how to transfer titles to help them transfer the titles in their names and they paid him [PHP] 80,000.00 for the BIR payments and the City Treasurer's Office payment as well as the [RD]. The man got their IDs and the original copy of the deed of sale and after a few weeks, he came back and showed them some documents coming from [the] BIR and after that, he asked for the original owner[']s cop[ies] of the titles so that [they would] be submitted to the [RD]. They gave the owner's duplicate cop[ies] of the two titles and after a few weeks, the man came back and handed to them two original owner's duplicate cop[ies] of TCT Nos. 198220 and 198221 and the two titles are now in their possession; they also processed the transfer of the tax declaration in their names and the City Assessor[']s Office released three tax declarations in their names.

> According to the . . . Manalese[s], they purchased the propert[ies] legitimately and they are the absolute and registered owners of [TCT] Nos. 198220 and 198221 having purchased the same from [the] previous registered owner . . . Pinpin, who ha[d] satisfactorily proved good titles. They have clear and unmistakable right over the said properties and they cannot be deprived of their right to use and enjoy the same being innocent purchasers for value or buyers in good faith and mere successors in interest of . . . Pinpin.
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> Unfortunately, the defense put up by the Manalese[s] cannot hold water nor acceptable (sic). The defense that they are buyers in good faith will not apply to them because they are not. [The Manaleses] should have investigated further . . . Pinpin and the properties she [was] selling to them. They should have exerted due diligence in trying to find out the history of the propert[ies] she [was] selling considering that the amount involved here runs by the millions of pesos. [The Manaleses] should have talked to the neighbors of . . . Pinpin and try to determine the history of the house and lots which they never did. [They] did not closely look at TCT Nos. 181052 and 181053 under the name of . . . Pinpin that said titles were only registered in her name on July 14, 2009. [They] did not ask why Pinpin [was] selling the house and lots when the titles were just transferred to her for a little more than one year. For a diligent and cautious person, these facts should have caught their attention and suspicion. They did not also notice that in the purported deed of sale between [Spouses Ferreras] and . . . Pinpin dated May 11, 2009, the consideration of the sale [was PHP] 250,000.00 only. Computing the area of the two lots only which is 691 square meters and divide [PHP 250,000.00 by this], it would appear that the price per square meter of the lots is only [PHP] 361.9745 as of September 20, 2010 which is anomalously and palpably low.
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> [The] Manalese[s] cannot hide from their claim of good faith and that they mere[ly] relied upon the clean titles of . . . Pinpin.
>
> . . . .
>
> With all the available documents for their investigation and scrutiny, [the] Manalese[s] failed to see the obvious and glaring facts and instead pushed through with the sale of the properties leading this court to believe that [they] were aware of the status of the properties they [were] buying and that they had a hand in the illegal transfer of the propert[ies] to them.
>
> WHEREFORE, JUDGMENT is hereby rendered in favor of the plaintiff Danilo Ferreras representing the estate of the late Narciso and Ofelia Ferreras and against the defendants Orencio, Eloisa and Aries Manalese and Carina Pinpin:

> 1. Declaring [TCT] Nos. 181052 and 18105[3] in the name of Carina Pinpin as null and void and ordering the Register of Deeds of Angeles City for their cancellation;
>
> 2. Declaring [TCT] Nos. 198220 and 198221 in the names of Spouses Orencio Manalese, Eloisa Manalese and Aries Manalese as null and void and ordering the Register of Deeds of Angeles City for their cancellation;
>
> 3. Declaring the falsified Deed of Sale dated May 11, 2009 purportedly executed between Carina Pinpin and Spouses Ferreras as null and void;
>
> 4. Declaring the Deed of Sale dated September 20, 2010 fraudulently executed between Carina Pinpin and Spouses Manalese and Aries Manalese as null and void;
>
> 5. Directing the Register of Deeds of Angeles City to reinstate [TCT] No[s]. 69711 and 69712 in the names of Spouses Narciso and Ofelia Ferreras;
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> 6. Ordering all defendants to pay, jointly and severally, plaintiff the sum of [PHP] 100,000.00 as moral damages;
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> 7. Ordering all defendants to pay, jointly and severally, plaintiff the sum of [PHP] 100,000.00 as exemplary damages;
>
> 8. Ordering all defendants to pay, jointly and severally, plaintiff the sum of [PHP] 100,000.00 as [a]ttorney's fees and to pay the cost of suit.
>
> SO ORDERED."
>
> On September 15, 2017, [the Manaleses] filed a notice of appeal, which was given due course by the RTC[, Branch 57[5]].[6]

Ruling of the CA

The CA, in its Decision dated February 18, 2020, found petitioners' appeal partly meritorious.[7] While the CA affirmed the RTC's ruling that petitioners are not buyers in good faith after it "sifted through the records and found no reason to disturb the factual findings of the RTC because they are supported by the evidence on record,"[8] it found the award of moral and exemplary damages as well as attorney's fees bereft of factual basis and legal justification.[9]

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5 RTC, Branch 57 shall hereinafter be referred to as the RTC.

6 *Rollo*, pp. 57–63, CA Decision.

7 *Id.* at 63.

8 *Id.* at 71.

9 *Id.* at 71–72.

The dispositive portion of the CA Decision states:

> **WHEREFORE**, the appeal is partly granted. The decision of the Regional Trial Court of Angeles City dated September 13, 2017 is **AFFIRMED with MODIFICATION** that the awards of moral damages, exemplary damages and attorney's fees are **DELETED**.
>
> **SO ORDERED.**[10]

Petitioners filed an MR, which was denied in the CA Resolution.

Hence, the present Rule 45 Petition after petitioners filed a motion for extension to file petition for review[11] wherein they sought an extension of 30 days to file the said Petition. Respondent filed a Comment[12] dated August 23, 2021. Petitioners filed a Reply[13] dated March 3, 2023.

The Issue

The Petition pivots around this core issue: whether petitioners are buyers in good faith and for value with a complete chain of registered titles in their favor.

The Court's Ruling

Petitioners anchor their claim that they are buyers in good faith and for value on the following assertions:

1) They bought the two lots (subject properties) covered by TCTs registered in the name of Pinpin.

2) Pinpin and her family were the ones occupying the subject properties prior to the sale thereof to petitioners.

3) Not one of the heirs of Spouses Manalese was occupying the subject properties prior to said sale.

4) The subject properties were both owned and possessed by Pinpin before they were sold to petitioners.

5) The TCTs of the subject properties contain no annotation of any encumbrance that warranted further examination by petitioners beyond the face of said titles.

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10 *Id.* at 72.
11 *Id.* at 3–9.
12 *Id.* at 496–520.
13 *Id.* at 526–540.

6) They presented Lea Dizon, the City Assessor of Angeles City, Pampanga, to prove that at the time of the execution of the deed of absolute sale between Pinpin and petitioners, the subject properties including improvements were valued at PHP 551,280.00 only.[14]

They further assert that they cannot be faulted if they relied on the face of the certificates of title they were buying from Pinpin[15] because jurisprudentially, every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and is in no way obliged to go beyond the certificate to determine the condition of the property.[16]

Petitioners are raising factual matters, which is generally not allowed in a Rule 45 appeal by *certiorari* to this Court. Section 1, Rule 45 of the Rules of Court provides that the verified petition for review on *certiorari* shall raise only questions of law which must be distinctly set forth. Besides, the Court is not a trier of facts. On this ground alone, the Petition can be denied.

However, the Court will delve into the factual circumstances of the case in order to highlight the *modus operandi* that was employed in divesting the deceased registered owners of the original transfer certificates of title that were registered in their name. Also, the defects or flaws in the certificates of title that petitioners dealt with are so glaringly suspicious and should have alerted them to act prudently. Further, the application of the principles of good faith and innocent purchaser for value will be better illustrated with full knowledge of these facts.

The Court will not disturb the finding by the CA that petitioners are buyers in bad faith, to wit:

> When the deed of sale in favor of . . . Pinpin was purportedly executed and notarized on May 11, 2009, it is perfectly obvious that the signatures of vendors [Spouses] Narciso and Ofelia Ferreras, were forged. They could not have signed the same, because both were by then long deceased: Narciso died on August 22, 2005, while Ofelia died on September 4, 1992. This makes the May 11, 2009 deed of sale void at its inception, and being so, it produces no civil effect and does not create, modify or extinguish a juridical relation. . . . Since . . . Pinpin acquired no right over the subject properties, the same remained in the name of the original registered owners [Spouses] Ferreras. Accordingly, [respondent] was not precluded from questioning the validity of [petitioners'] title as an action to declare the nullity of a void title does not prescribe and is susceptible to direct, as well as to collateral attack.
>
> . . . .
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> . . . Evidence on record do not show that prior to the sale, [petitioners] conducted an ocular inspection of the subject properties or verified/traced . .

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14 *Id.* at 26–27, Petition.

15 *Id.* at 28.

16 *Id.* at 29, *citing Calma v. Lachica*, 821 Phil. 607, 620 (2017) [Per J. Tijam, First Division].

> . Pinpin's right [to] transfer. Had they been more vigilant or prudent as buyers, they could have easily checked if her title was flawed or if she had the capacity to dispose of the subject properties, or if there were any other persons with rights or interests thereon. It is certainly confounding how Orencio . . . failed to question the fact that . . . Pinpin acquired the subject properties from the [Spouses] Ferreras for only [PHP] 250,000.00, whereas he and his wife Eloisa were being made to pay [PHP] 2,550,000.00 representing . . . Pinpin's loan obligation plus [PHP] 750,000.00, or a total of [PHP] 3,300,000.00, an amount considerably so much more than the price actually paid for [the subject properties]. When asked about the details of . . . Pinpin's debt, Orencio . . . could not recall when he loaned her the said amount or the terms and conditions thereof. Considering the fact that [petitioners] have been longtime businessmen/traders, one might expect a certain level of astuteness in their business transactions. Under the circumstances, mere reliance on . . . Pinpin's assurance was misplaced. Likewise, Aries . . . cannot raise the defense of being a buyer in good faith considering his admissions that he assented to his mother Eloisa's decision, and that his only participation in the transaction was to sign the deed of sale and produce the sum of [PHP] 750,000.00. For someone intending to purchase property as residence for his family, his acts certainly do [not] show that he has taken the necessary precaution required of a prudent man. The fact that Eloisa . . . and . . . Pinpin did not participate in the proceedings before the RTC did not help [petitioners'] case. As has been ruled, to successfully invoke and be considered a buyer in good faith, the presumption is that first and foremost, the "buyer in good faith" must have shown prudence and due diligence in the exercise of his/her rights.[17] (Citations omitted)

As well, the CA's finding of petitioners' bad faith is complemented by the RTC's finding that "Pinpin's fraudulent procurement of her titles is bolstered by the fact that the owner's duplicate copies . . . of TCT Nos. 69711 and 69712 in the names of [S]pouses Ferreras had been declared lost by virtue of the Affidavit of Loss annotated at the back of the titles under Entry No. 2659 when in truth and in fact, the original owner's duplicate cop[ies] . . . of the said titles are in Danilo['s] possession."[18]

While the foregoing findings are well sufficient to junk petitioners' reiteration of their good faith claim, a scrutiny of the chain of certificates of title involved in this case, which is not unbroken as claimed by them, reveals how the TCTs of Spouses Ferreras were "dirtied" or subjected to questionable annotations in order to spawn the TCTs of Pinpin, but would later on disappear in the Pinpin TCTs to make the latter appear "clean", after the Spouses Ferreras TCTs were cancelled by reason of the sham deed of sale which the Spouses Ferreras, who were dead by then, supposedly executed in favor of Pinpin.

After the technical descriptions in TCT Nos. 69711[19] and 69712[20] (the Spouses Ferreras TCTs), the following annotation is commonly reflected therein:

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17 *Id.* at 65–70, CA Decision.
18 *Id.* at 60–61.
19 *Id.* at 98–100, Annex "G" of the Petition.
20 *Id.* at 101–103, Annex "H" of the Petition.

x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x

"It is hereby certified that this certificate of title, consisting of two (2) pages has on May 18, 1973 been reconstituted from it[s] owner's duplicate, the reconstitution having been effected administratively, under the provisions of Republic Act. 26.

Pursuant to Section 7[,] Republic Act No. 26, this certificate of title having been administratively reconstituted, is without prejudice to any party whose right or interest in the property was duly noted on the original hereof, at the time it was lost."

(SGD.) HONESTO G. GUARIN
Register of Deeds

[NOTE:] The foregoing annotation had been carried over from TCT-58055, this 23rd day of September, 1985.

[SIGNED]
CONRADO LAGMAN
Actg. Register of Deeds[21]

After this common annotation, the following annotations are reflected in TCT No. 69711:

Entry No. 2325 – AFFIDAVIT OF LOSS executed by NARCISO FERRERAS. – The lot herein described is included in the annotation of Affidavit of Loss inscribed at the back of TCT No. 69704.
Date of Doc. – Dec. 29, 2004
Date of Insc. – Jan. 25, 2005, 9:30 a.m.

[SIGNED]
ATTY. BAYANI MANIQUIS
Register of Deeds

Entry No[.] 1406 – DECISION dated June 10, 2005, For the issuance of another Owner's Duplicate copy of TCT No. 697[illegible], which is declared null and void and of no further effect, as per deed on file in this office. SGD. Judge Gerardo Antonio P. Santos[,] RTC Judge Br. 62.
Date of Dec. June 10, 2005
Date of Insc. August 24, 2005 10:15 a.m.

[SIGNED]
ATTY. BAYANI MANIQUIS
Register of Deeds

Entry No. 2659 – AFFIDAVIT OF LOSS executed by ZENAIDA S. FERRERAS. – By virtue of said instrument and that in TCT No. 69712 the Owner's duplicate copy of this titles are hereby declared lost, as per

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[21] *Id.* at 99 and 102, Annexes "G-1" and "H-1" of the Petition; records, Vol. I, pp. 10 (dorsal page) and 12 (dorsal page), Annexes "A-1" and "B-1" of the Complaint.

deed on file in this office Doc. No. 2846; Page [No.] 71; Book No. 148 of Notary Public Jesus F. Arceo of City of Angeles.
Date of Doc. – Sept. 26, 2005
Date of Insc. – Sept. 26, 2005, 9:30 a.m.

[SIGNED]
ATTY. BAYANI MANIQUIS
Register of Deeds[22]

On the other hand, TCT No. 69712 reflects the following annotations:

Entry No. 2325 – AFFIDAVIT OF LOSS executed by NARCISO FERRERAS. – The lot herein described is included in the annotation of Affidavit of Loss inscribed at the back of TCT No. 69704.
Date of Doc. – Dec. 29, 2004
Date of Insc. – Jan. 25, 2005, 9:30 a.m.

[SIGNED]
ATTY. BAYANI MANIQUIS
Register of Deeds

Entry No[.] 1406 – DECISION dated June 10, 2005, For the issuance of another Owner's duplicate copy of TCT No. 69712, which is declared null and void and of no further effect, as per deed on file in this office. SGD Judge Gerardo Antonio P. Santos RTC. Judge Br. 62[.]
Date of Doc. June 10, 2005
Date of Insc. August 24, 2005 10:15 a.m.

[SIGNED]
ATTY. BAYANI MANIQUIS
Register of Deeds

Entry No. 2659 – AFFIDAVIT OF LOSS executed by ZENAIDA S. FERRERAS. – By virtue of said instrument and that in TCT No. 69711 the Owner's duplicate copy of this titles are hereby declared lost, as per deed on file in this office Doc. No. 2846; Page [No.] 71; Book No. 148 of Notary Public Jesus F. Arceo of City of Angeles.
Date of Doc. – Sept. 26, 2005
Date of Insc. – Sept. 26, 2005, 9:30 a.m.

[SIGNED]
ATTY. BAYANI MANIQUIS
Register of Deeds[23]

Interestingly, these annotations made after the common annotation quoted above were not carried over in TCT Nos. 181052[24] and 181053,[25] the cancelled certificates of title in the name of Pinpin.

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22 *Id.* at 99–100, Annex "G" of the Petition; *id.* at 10 (dorsal page)–11, Annexes "A-1" and "A-2" of the Complaint.
23 *Id.* at 102–103, Annex "H" of the Petition; *id.* at 12 (dorsal page)–13, Annexes "B-1" and "B-2" of the Complaint.
24 *Id.* at 81–84, Annex "D" of the Petition.
25 *Id.* at 85–88, Annex "D-1" of the Petition.

While both TCT Nos. 181052 and 181053 (the Pinpin TCTs) bear the following annotation after the technical descriptions therein, which is similar to the common annotation in TCT Nos. 69711 and 69712 (the Spouses Ferreras TCTs) observed above, to wit:

x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x-x

> "It is hereby certified that this certificate of title, consisting of two (2) pages has on May 18, 1973 been reconstituted from it[s] owner's duplicate, the reconstitution having been effected administratively, under the provisions of Republic Act. 26.
>
> Pursuant [to] Sec. 7, Republic Act No. 26, this certificate of title having been administratively reconstituted, is without prejudice to any party whose right and interest in the property was duly noted on the original hereof, at the time it was lost."
>
> (SGD.) HONESTO G. GUARIN
> Register of Deeds[26]

the uniform "[NOTE:] The foregoing annotation had been carried over from TCT-58055, this 23rd day of September, 1985. (SGD.) CONRADO LAGMAN Actg. Register of Deeds"[27] in the Spouses Ferreras TCTs has been changed to, in TCT No. 181052 (one of Pinpin's TCT) –

> NOTE: The foregoing annotation had been carried over from TCT No. 69711, this 14th day of July 2009.
>
> [SIGNED]
> ATTY. BAYANI A. MANIQUIS
> Register of Deeds[28]

and in TCT No. 181053 (the other Pinpin's TCT) —

> NOTE: The foregoing annotation had been carried over from TCT No. 69712, this 14th day of July 2009.
>
> [SIGNED]
> ATTY. BAYANI A. MANIQUIS
> Register of Deeds[29]

Also, the annotations regarding the Affidavit of Loss executed by Narciso, the Decision of RTC, Branch 62, and the Affidavit of Loss executed by a certain Zenaida S. Ferreras were not carried over to the Pinpin TCTs, creating an impression that the Pinpin TCTs were "clean", when, in fact, they were "laundered" or "washed clean".

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26 *Id.* at 82 and 86, Annexes "D" and "D-1" of the Petition.
27 *Id.* at 99 and 102, Annexes "G-1" and "H-1" of the Petition.
28 *Id.* at 82, Annex "D" of the Petition.
29 *Id.* at 86, Annex "D-1" of the Petition.

Moreover, the reference to the annotation of the purported Affidavit of Loss which Narciso executed being inscribed at the back of TCT No. 69704 is questionable because such TCT number does not correspond to TCT No. 69702/T-349, which is the predecessor title from which the Spouses Ferreras TCTs originated.[30]

The presence of said annotations on the Spouses Ferreras TCTs from which the Pinpin TCTs originated would have aroused suspicion on the part of Pinpin or any prospective buyer and alerted them to investigate on the circumstances thereof before they dealt with the subject properties.

As observed by the Court in the consolidated cases of *Spouses Cusi v. Domingo*[31] and *De Vera v. Domingo, et al.*[32] (*Spouses Cusi*),

> A transferee who acquires the property covered by a reissued owner's copy of the certificate of title without taking the ordinary precautions of honest persons in doing business and examining the records of the proper Registry of Deeds, or who fails to pay the full market value of the property is not considered an innocent purchaser for value.[33]

There is a noticeable parallelism of the key facts in *Spouses Cusi* and in *Garcia v. Court of Appeals*[34] (*Garcia*) with those of this case.

The factual similarities between *Spouses Cusi* and *Garcia* were summarized by the Court in *Spouses Cusi*, thus:

> In *Garcia v. Court of Appeals*, a case with striking similarities to this one, an impostor succeeded in tricking a court of law into granting his petition for the issuance of a duplicate owner's copy of the supposedly lost TCT. The impostor then had the TCT cancelled by presenting a purported deed of sale between him and the registered owners, both of whom had already been dead for some time, and another TCT was then issued in the impostor's own name. This issuance in the impostor's own name was followed by the issuance of yet another TCT in favor of a third party, supposedly the buyer of the impostor. In turn, the impostor's transferee (already the registered owner in his own name) mortgaged the property to Spouses Miguel and Adela Lazaro, who then caused the annotation of the mortgage on the TCT. All the while, the *original* duplicate owner's copy of the TCT remained in the hands of an heir of the deceased registered owners with his co-heirs' knowledge and consent.
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> . . . .
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> The fraud committed in *Garcia* paralleled the fraud committed here. The registered owner of the property was Domingo, who remained in the custody of her TCT all along; the impostor was Sy, who succeeded in

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30 *Id.* at 98 and 101, Annexes "G" and "H" of the Petition.
31 G.R. No. 195825, 705 Phil. 255 (2013) [Per J. Bersamin, First Division].
32 G.R. No. 195871, *id.*
33 *Id.* at 257.
34 279 Phil. 242 (1991) [Per J. Sarmiento, Second Division].

> obtaining a duplicate owner's copy; and the Cusis and the De Veras were similarly situated as the Spouses Lazaro, the mortgagees in *Garcia*. The Cusis and the De Veras did not investigate beyond the face of Sy's TCT No. 186142, despite the certificate derived from the reissued duplicate owner's copy being akin to a reconstituted TCT. Thereby, they denied themselves the innocence and good faith they supposedly clothed themselves with when they dealt with Sy on the property.
>
> The records also show that the forged deed of sale from Domingo to Sy appeared to be executed on July 14, 1997; that the affidavit of loss by which Sy would later on support her petition for the issuance of the duplicate owner's copy of Domingo's TCT No. 165606 was executed on July 17, 1997, the very same day in which Sy registered the affidavit of loss in the Registry of Deeds of Quezon City; that Sy filed the petition for the issuance of the duplicate owner's copy of Domingo's TCT No. 165606; that the RTC granted her petition on August 26, 1997; and that on October 31, 1997, a real estate mortgage was executed in favor of one Emma Turingan, with the mortgage being annotated on TCT No. 165606 on November 10, 1997.[35] (Citation omitted)

In the instant case, as narrated in the CA Decision:

> Apparently, . . . Pinpin obtained the two titles in her name based on a Deed of Absolute Sale dated May 11, 2009 purportedly executed by [Spouses] Ferreras[, who were then deceased,] selling and transferring ownership of the subject properties to her on May 11, 2009 for the amount of [PHP] 250,000.00. Thereafter on September 20, 2010, . . . Pinpin executed a Deed of Absolute Sale in favor of Eloisa . . . and Aries . . ., which [led] to the issuance of the titles in the latter's names. According to Danilo . . . [, the administrator of the estate of Spouses Ferreras], he was all the while in possession of the original owner's duplicate copy of TCT No. 69711 and TCT No. 69712 in the name of [Spouses] Ferreras but . . . Pinpin fraudulently procured spurious titles in her name by [virtue of an affidavit of loss executed by a certain Zenaida S. Ferreras,] declaring the owner's duplicate copies thereof as lost and annotat[ed as] Entry No. 2659 on September 26, 2005.[36]

In *Spouses Cusi*, *Garcia*, and this case, the original owner's duplicate certificate of title is intact and in the possession of the registered owner or the heir thereof. In all three cases, the transfer document, i.e., deed of sale, was supposedly executed by the registered owner, who was already dead or whose signature was forged. In *Spouses Cusi* and *Garcia*, a petition for issuance of duplicate owner's copy of the certificate of title was filed, which resulted to the issuance of a second owner's duplicate certificate of title. This second owner's duplicate copy was the lynchpin, so to speak, of the fraud that was perpetrated upon the registered owner.

In the present case, however, while there was an annotation of a supposed decision by a certain Judge Gerardo Antonio P. Santos of RTC, Branch 62 which ordered the issuance of "another [o]wner's duplicate copy

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35 *Spouses Cusi v. Domingo* and *De Vera v. Domingo, et al.*, *supra* notes 31 and 32, at 269–271.

36 *Rollo*, pp. 58–59, CA Decision.

of TCT No. 69712,"[37] it is unclear whether second owner's duplicate certificates of title were issued. If those were issued, they were purportedly lost based on the Affidavit of Loss executed by a certain Zenaida S. Ferreras, whose identity and relationship to Spouses Ferreras have not been established. And, this is where the present case departs from the other two. The facts in this case are uncertain as to the nature of the purported owner's duplicate TCTs that were presented to the Register of Deeds to effect the registration of the fraudulent transfer from Spouses Ferreras to Pinpin. Or is it possible that there were no owner's duplicate TCTs that were surrendered to the Register of Deeds? The other marked difference is that in this case, the Pinpin TCTs were made "clean". The annotations that would indicate the loss of the owner's duplicate TCTs and the decision ordering the issuance of another owner's duplicate copies were obliterated because they were not carried over to the Pinpin TCTs.

Statutorily, Republic Act No. (RA) 6732[38] provides the effect of a reconstituted title obtained by fraud, deceit, or other machination, to wit:

> SECTION 11. A reconstituted title obtained by means of fraud, deceit or other machination is void *ab initio* as against the party obtaining the same and all persons having knowledge thereof.

Pursuant to Presidential Decree No. (PD) 1529,[39] otherwise known as the "Property Registration Decree," reconstitution applies to lost or destroyed original certificates of title while replacement is the term used for lost owner's duplicate certificates of title. This is clear from Sections 109 and 110 of PD 1529, to wit:

> SEC. 109. *Notice and replacement of lost duplicate certificate.* — In case of loss or theft of an owner's duplicate certificate of title, due notice under oath shall be sent by the owner or by someone in his behalf to the Register of Deeds of the province or city where the land lies as soon as the loss or theft is discovered. If a duplicate certificate is lost or destroyed, or cannot be produced by a person applying for the entry of a new certificate to him or for the registration of any instrument, a sworn statement of the fact of such loss or destruction may be filed by the registered owner or other person in interest and registered.
>
> Upon the petition of the registered owner or other person in interest, the court may, after notice and due hearing, direct the issuance of a new duplicate certificate, which shall contain a memorandum of the fact that it is issued in place of the lost duplicate certificate, but shall in all respects be entitled to like faith and credit as the original duplicate, and shall thereafter be regarded as such for all purposes of this decree.

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37 TCT No. 69711 is not mentioned in the annotations reflected in Spouses Ferreras TCTs.

38 An Act Allowing Administrative Reconstitution of Original Copies of Certificates of Titles Lost or Destroyed Due to Fire, Flood and Other Force Majeure, Amending for the Purpose Section One Hundred Ten of Presidential Decree Numbered Fifteen Twenty-Nine and Section Five of Republic Act Numbered Twenty-Six, July 17, 1989.

39 Amending and Codifying the Laws Relative to Registration of Property and for Other Purposes, June 11, 1978.

> SEC. 110. *Reconstitution of lost or destroyed original of Torrens title.* — Original copies of certificates of title lost or destroyed in the offices of Register of Deeds as well as liens and encumbrances affecting the lands covered by such titles shall be reconstituted judicially in accordance with the procedure prescribed in Republic Act No. 26 insofar as not inconsistent with this Decree. The procedure relative to administrative reconstitution of lost or destroyed certificate prescribed in said Act is hereby abrogated.
>
> Notice of all hearings of the petition for judicial reconstitution shall be given to the Register of Deeds of the place where the land is situated and to the Commissioner of Land Registration. No order or judgment ordering the reconstitution of a certificate of title shall become final until the lapse of thirty days from receipt by the Register of Deeds and by the Commissioner of Land Registration of a notice of such order or judgment without any appeal having been filed by any of such officials.

The Court described in *Garcia* that the nature of a reconstituted TCT is similar to that of a second owner's duplicate TCT or a new owner's duplicate certificate issued pursuant to Section 109 of PD 1529 and the diligence required in dealing with either of them, in this wise:

> The nature of a reconstituted Transfer Certificate [o]f Title of registered land is similar to that of a second Owner's Duplicate Transfer Certificate of Title. Both are issued, after the proper proceedings, on the representation of the registered owner that the original of the said TCT or the original of the Owner's Duplicate TCT, respectively, was lost and could not be located or found despite diligent efforts exerted for that purpose. Both, therefore, are *subsequent* copies of the originals thereof. A cursory examination of these *subsequent* copies would show that they are not the *originals*. Anyone dealing with such copies are put on notice of such fact and thus warned to be extra-careful.[40] (Emphasis in the original)

As well, the Court has to consider the effect of any subsequent registration procured by the presentation of a forged duplicate certificate of title or a forged deed or instrument pursuant to Section 53 of PD 1529, *viz.*:

> SEC. 53. *Presentation of owner's duplicate upon entry of new certificate.* —. . .
>
> . . . .
>
> In all cases of registration procured by fraud, the owner may pursue all his legal and equitable remedies against the parties to such fraud without prejudice, however, to the rights of any innocent holder for value of a certificate of title. **After the entry of the decree of registration on the original petition or application, *any subsequent registration procured by the presentation of a forged duplicate certificate of title, or a forged deed or other instrument, shall be null and void.*** (Emphasis supplied)

Applying the foregoing in this case, the "another cop[ies]" of the owner's duplicate of the Spouses Ferreras TCTs supposedly issued pursuant

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40 *Garcia v. Court of Appeals*, *supra* note 34, at 257.

to a decision by a certain Judge Gerardo Antonio P. Santos of RTC, Branch 62, which apparently had been obtained by means of fraud, deceit, or other machination given the fact that such owner's duplicates have never been lost or destroyed, partake the nature of reissued/replacement titles and may be considered void *ab initio*. The subsequent registrations procured by the presentation of the forged duplicate certificates of title and the forged deed of sale supposedly executed by Spouses Ferreras are likewise null and void. Consequently, the Pinpin TCTs are void.

Parenthetically, the Court reminds that RA 6732 imposes a criminal penalty upon any person who by means of fraud, deceit, or other machination obtains or attempts to obtain a reconstituted title and any public officer or employee who knowingly approves or assists in securing a decision allowing reconstitution in favor of any person not entitled, to wit:

> SECTION 12. Any person who by means of fraud, deceit or other machination obtains or attempts to obtain a reconstituted title shall be subject to criminal prosecution and, upon conviction, shall be liable for imprisonment for a period of not less than two years but not exceeding five years or the payment of a fine of not less than Twenty thousand pesos but not exceeding Two hundred thousand pesos or both at the discretion of the court.
>
> Any public officer or employee who knowingly approves or assists in securing a decision allowing reconstitution in favor of any person not entitled thereto shall be subject to criminal prosecution and, upon conviction, shall be liable for imprisonment of not less than five years but not exceeding ten years or payment of a fine of not less than Fifty thousand pesos but not exceeding One hundred thousand pesos or both at the discretion of the court and perpetual disqualification from holding public office.

Given that, as pronounced by the Court in *Garcia*, reconstituted titles have the same nature as replacement owner's duplicate titles, the foregoing penalty should also apply to anyone who obtains or attempts to obtain a replacement owner's duplicate title by fraud, deceit, or other machination and to any public officer or employee who knowingly approves or assists in securing a decision allowing the replacement in favor of any person not entitled thereto.

In this connection, the Court laments that despite the presence of this criminal provision and the plethora of cases involving fraudulent reconstitution and replacement of titles, there is apparently a dearth, if not absence, of prosecution under this provision.

Proceeding to the propriety or impropriety of the "laundering" of the Spouses Ferreras TCTs and the Pinpin TCTs, the applicable legal provisions concerning the carry over of encumbrances and cancellation of annotations and encumbrances are as follows.

Section 59 of PD 1529 clearly provides:

> SEC. 59. *Carry over of encumbrances.* — If, at the time of any transfer, subsisting encumbrances or annotations appear in the registration book, they shall be carried over and stated in the new certificate or certificates; except so far as they may be simultaneously released or discharged.

As to the release or discharge of encumbrances or annotations, Section 108 of PD 1529 pertinently states:

> SEC. 108. *Amendment and alteration of certificates.* —**No erasure, alteration, or amendment shall be made upon the registration book after the entry of a certificate of title or of a memorandum thereon and the attestation of the same by Register of Deeds, except by order of the proper Court of First Instance. A registered owner or other person having an interest in registered property, or, in proper cases, the Register of Deeds with the approval of the Commissioner of Land Registration, may apply by petition to the court upon the ground that the registered interests of any description, whether vested, contingent, expectant or inchoate appearing on the certificate, have terminated and ceased; or that new interest not appearing upon the certificate have arisen or been created; or that an omission or error was made in entering a certificate or any memorandum thereon, or, on any duplicate certificate**; or that the same or any person on the certificate has been changed; or that the registered owner has married, or, if registered as married, that the marriage has been terminated and no right or interests of heirs or creditors will thereby be affected; or that a corporation which owned registered land and has been dissolved has not convened the same within three years after its dissolution; **or upon any other reasonable ground; and the court may hear and determine the petition after notice to all parties in interest, and may order the entry or cancellation of a new certificate, the entry or cancellation of a memorandum upon a certificate, or grant any other relief upon such terms and conditions, requiring security or bond if necessary, as it may consider proper;** Provided, however, That this section shall not be construed to give the court authority to reopen the judgment or decree of registration, and that nothing shall be done or ordered by the court which shall impair the title or other interest of a purchaser holding a certificate for value and in good faith, or his heirs and assigns, without his or their written consent. Where the owner's duplicate certificate is not presented, a similar petition may be filed as provided in the preceding section.
>
> All petitions or motions filed under this Section as well as under any other provision of this Decree after original registration shall be filed and entitled in the original case in which the decree or registration was entered. (Emphasis supplied)

As regards freeing of the certificate of title from encumbrances arising from rights or interests duly noted in the original certificate at the time of its loss or destruction, the relevant provisions of RA 26,[41] as amended by RA 6732, state:

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[41] An Act Providing a Special Procedure for the Reconstitution of Torrens Certificates of Title Lost or Destroyed, September 25, 1946.

> SECTION 7. Reconstituted certificates of title shall have the same validity and legal effect as the originals thereof: *Provided, however*, That certificates of title reconstituted extrajudicially, in the manner stated in sections five and six hereof, shall be without prejudice to any party whose right or interest in the property was duly noted in the original, at the time it was lost or destroyed, but entry or notation of which has not been made on the reconstituted certificate of title. This reservation shall be noted as an encumbrance on the reconstituted certificate of title.
>
> SECTION 8. Any person whose right or interest was duly noted in the original of a certificate of title, at the time it was lost or destroyed, but does not appear so noted on the reconstituted certificate of title, which is subject to the reservation provided in the preceding section, may, while such reservation subsists, file a petition with the proper Court of First Instance for the annotation of such right or interest on said reconstituted certificate of title, and the court, after notice and hearing, shall determine the merits of the petition and render such judgment as justice and equity may require. The petition shall state the number of the reconstituted certificate of title and the nature, as well as a description, of the right or interest claimed.
>
> SECTION 9. **A registered owner desiring to have his reconstituted certificate of title freed from the encumbrance mentioned in section seven of this Act, may file a petition to that end with the proper Court of First Instance, giving his reason or reasons therefor.** A similar petition may, likewise, be filed by a mortgagee, lessees or other lien holder whose interest is annotated in the reconstituted certificate of title. Thereupon, the court shall cause a notice of the petition to be published, at the expense of the petitioner, twice in successive issues of the *Official Gazette*, and to be posted on the main entrance of the provincial building and of the municipal building of the municipality or city in which the land lies, at least thirty days prior to the date of hearing, and after hearing, shall determine the petition and render such judgment as justice and equity may require. The notice shall specify, among other things, the number of the certificate of title, the name of the registered owner, the names of the interested parties appearing in the reconstituted certificate of title, the location of the property, and the date on which all persons having an interest in the property must appear and file such claim as they may have. The petitioner shall, at the hearing, submit proof of the publication and posting of the notice: *Provided, however*, **That after the expiration of two years from the date of the reconstitution of a certificate of title, if no petition has been filed within that period under the preceding section, the court shall, on motion *ex parte* by the registered owner or other person having registered interest in the reconstituted certificate of title, order the register of deeds to cancel, proper annotation, the encumbrance mentioned in section seven hereof.** (Emphasis supplied)

In the present case, the procedures mentioned in the pertinent provisions of PD 1529 and RA 26 were ***not*** followed in the removal of the annotations and encumbrances which existed in the Spouses Ferreras TCTs and the Pinpin TCTs. Thus, they should have been carried over in the TCTs issued subsequent thereto.

Given that the Pinpin TCTs which petitioners dealt with had been improperly "laundered" and that, pursuant to law, the nullity pertains to the

Pinpin TCTs and their registration in the absence of evidence that petitioners had knowledge of the fraudulent obtention of the replacement or "another" owner's duplicate of the Spouses Ferreras TCTs, are petitioners relieved of the diligence required of persons dealing with a reconstituted certificate of title or a second owner's duplicate certificate of title? Present jurisprudence requires diligent inquiry into the circumstances of the issuance thereof.

To reiterate, *Garcia* warns anyone dealing with subsequent copies of certificates of title which are not originals, i.e., reconstituted and replacement or reissued ones, to be extra-careful, *viz.*:

> The nature of a reconstituted Transfer Certificate [o]f Title of registered land is similar to that of a second Owner's Duplicate Transfer Certificate of Title. Both are issued, after the proper proceedings, on the representation of the registered owner that the original of the said TCT or the original of the Owner's Duplicate TCT, respectively, was lost and could not be located or found despite diligent efforts exerted for that purpose. Both, therefore, are *subsequent* copies of the originals thereof. A cursory examination of these *subsequent* copies would show that they are not the *originals*. Anyone dealing with such copies are put on notice of such fact and thus warned to be extra-careful.[42] (Emphasis in the original)

In *Republic v. Court of Appeals*[43] (*Republic*), involving a reconstituted title, the Court required as part of due diligence an inquiry into the records of the Register of Deeds, to wit:

> The theory of A & A Torrijos Engineering Corporation that it was a purchaser in good faith and for value is indefensible because the title of the lot which it purchased unmistakably shows that such title was reconstituted. **That circumstance should have alerted its officers to make the necessary investigation in the registry of deeds of Caloocan City and Rizal where they could have found that Lot 918 is owned by the State.**[44] (Emphasis supplied)

As well, the Court in *Garcia*, which involved a second or replacement owner's duplicate TCT, required the same scrutiny, and if such necessary investigation or examination of the records of the registry of deeds is not done, good faith cannot be ascribed to the person who merely relies on the face of the certificate of title, to wit:

> Under the circumstances enumerated above there is no way the Lazaros can claim that they were not aware that the title of the property on which their mortgage was inscribed was not issued on the same day (August 18, 1991) as the date of the acquisition by the mortgagor of the same property from the previous registered owner (Eduardo Garcia). **Indeed, if the Lazaros took the ordinary precautions of honest persons in doing business, they should have examined the records in the Registry of Deeds of Quezon City.** This they should have done considering the huge

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42 *Garcia v. Court of Appeals*, *supra* note 34, at 257.

43 183 Phil. 426 (1979) [Per J. Aquino, Second Division].

44 *Id.* at 433.

amount of money they were parting with. Had they been thus careful, they could have easily also discovered, among others, that:

> . . . Eduardo A. Garcia submitted in the office of the Register of Deeds a sworn statement, date[d] August 20, 1987, stating that he was a real estate dealer and therefore exempt from payment of capital gains tax on his sale of the property to respondent Santos (Exh. M). It appears that this affidavit was not signed by respondent Garcia but by someone else. For this reason the title should not have been issued on the basis of the alleged sale in favor of respondent Santos. Nevertheless, it was issued. Again, in the BIR confirmation receipt No. B-13063394, dated October 10, 1987 (Exh. N), the given address of respondent Garcia is "750 Union St., Paco, Manila," which does not exist, and the additional payment of [PHP] 28,000 for documentary stamps was merely a veiled attempt to cover the anomalous underpayment of documentary stamps by respondent Santos on August 20, 1987 in the amount of only [PHP] 405.00 (Exh. Q), long after the title, TCT No. 366438 (Exh. P) was issued in his (Santos') favor on August 18, 1987.[45] (Citations omitted)

The Court notes that the necessary investigation or examination of the records of the Registry of Deeds is not even to meet the extra-careful standard of diligence mentioned in *Republic* but is merely an "ordinary [precaution] of honest persons in doing business"[46] pursuant to *Garcia*.

Garcia further instructs that a person dealing with registered property to be considered to have acted in good faith should scrutinize if the property was subjected to a series of almost-simultaneous transactions, which should be deemed a red flag and alert such person to be extra-cautious, to wit:

> The records of the case clearly show that the property in question had been subjected to a series of almost-simultaneous transactions precluding any consideration of good faith on the part of the private respondents-Lazaros and of their mortgagor, Ricardo Santos, to wit:
>
> 1. May 16, 1976 — Deed of Sale allegedly executed by Gaudencio Garcia over a parcel of land situated at Quezon City covered by TCT No. 75363 in favor of [Eduardo] Garcia.
>
> 2. May 10, 1987 — Eduardo Garcia claiming to be the owner of the property in question by virtue of that alleged Deed of Sale filed with the RTC, Branch 85, Quezon City, a petition for the issuance of a second owner's duplicate copy of TCT No. 75363 allegedly lost in November, 1985.

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[45] *Garcia v. Court of Appeals*, *supra* note 34, at 258–259.

[46] *Id.* at 258.

3. May 22, 1987	—	Resolution dated May 22, 1987 of the trial court declaring the alleged lost TCT No. 75363, as null and void, and ordering the Registry of Deeds of Quezon City to issue a second owner's duplicate TCT.
4. July 31, 1987	—	TCT No. 365291, was issued in the name of Eduardo A. Garcia by virtue of an alleged Deed of Sale executed by Gaudencio Garcia.
5. August 18, 1987	—	Deed of Sale executed by Eduardo Garcia in favor of Ricardo Santos for which TCT No. 366438 was issued in the name of the latter.
6. August 18, 1987	—	Ricardo G. Santos executed the mortgage in favor of the Lazaros, to secure the payment of a loan by Santos in the sum of [PHP] 400,000.
7. August 18, 1987	—	The mortgage in favor of the Lazaros was inscribed and annotated on TCT No. 366438.
8. October 1, 1988	—	Ricardo G. Santos executed a deed of sale in favor of Rosalinda S. Cobar for the price of [PHP] 1.2M.
9. September 20, 1990	—	Rosalinda S. Cobar [e]xecuted a deed of sale in favor of Felipe Enriquez in the sum of [PHP] 1.5M.[47]

The Court also considered this factor in its determination of the presence or absence of good faith in *Spouses Cusi*, and stated that given the presence of almost simultaneous transactions affecting the property, simple prudence would have impelled the person dealing with the registered land as an honest person to make deeper inquiries to clear the suspiciousness haunting the title of the other party who is offering the land for sale or mortgage, to wit:

> The records also show that the forged deed of sale from Domingo to Sy appeared to be executed on July 14, 1997; that the affidavit of loss by which Sy would later on support her petition for the issuance of the duplicate owner's copy of Domingo's TCT No. 165606 was executed on July 17, 1997, the very same day in which Sy registered the affidavit of loss in the Registry of Deeds of Quezon City; that Sy filed the petition for the issuance of the duplicate owner's copy of Domingo's TCT No. 165606; that the RTC granted her petition on August 26, 1997; and that on October 31, 1997, a real estate mortgage was executed in favor of one Emma Turingan, with the mortgage being annotated on TCT No. 165606 on November 10, 1997.

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[47] *Id.* at 257–258.

> Being the buyers of the registered realty, the Cusis and the De Veras were aware of the aforementioned several almost simultaneous transactions affecting the property. Their awareness, if it was not actual, was at least presumed, and ought to have put them on their guard, for, as the CA pointed out, the RTC observed that "[t]hese almost simultaneous transactions, particularly the date of the alleged loss of the TCT No. 165606 and the purported Deed of Sale, suffice[d] to arouse suspicion on [the part of] any person dealing with the subject property." Simple prudence would then have impelled them as honest persons to make deeper inquiries to clear the suspiciousness haunting Sy's title. But they still went on with their respective purchase of the property without making the deeper inquiries. In that regard, they were not acting in good faith.[48] (Citation omitted)

Both the CA and the RTC apparently applied the applicable jurisprudence elucidated above based on their unanimous finding of bad faith on the part of petitioners.

The RTC observed that the Pinpin TCTs emanated from second owner's duplicate TCTs, which should have alerted petitioners to be extra-careful. Had they examined the Spouses Ferreras TCTs **on file with the Registry of Deeds and its records**, they would have been apprised of the annotations regarding the two Affidavits of Loss of the owner's duplicate TCTs and the RTC Decision ordering the issuance of second owner's duplicate TCTs due to the alleged loss of the original ones. **Given such information, petitioners should have examined the records of the case wherein that RTC Decision was issued, and, at the very least, made inquiries regarding the circumstances of such annotations.**

More telling is the fact that the second Affidavit of Loss was executed by a certain Zenaida S. Ferreras and was annotated subsequent to said RTC Decision. If such was the situation, petitioners should have inquired from Pinpin the following, among others: who was this Zenaida S. Ferreras, what was her relationship to Spouses Ferreras, and why was she in possession of the owner's duplicates of the Spouses Ferreras TCTs? As well, they should have inquired from Pinpin how she obtained the owner's duplicate TCTs of Spouses Ferreras which enabled her to register the deed of sale in her favor and transfer the title of the subject properties in her name. **In the absence of evidence showing that an investigation by petitioners on these matters and the result thereof, the Court cannot find in their favor that they exercised, at the very least, the ordinary preeaution of honest persons in doing business.** Thus, despite the "laundered" Pinpin TCTs appearing to be "clean", petitioners cannot simply close their eyes to the suspicious circumstances cited above and claim good faith.

Petitioners' allegation that "Orencio . . . went to the [RD] to verify the titles and [he was] told by one of the employees that Pinpin [could] sell the properties and [they were] clean title[s]"[49] is insufficient proof of

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[48] *Spouses Cusi v. Domingo* and *De Vera v. Domingo, et al.*, *supra* notes 31 and 32, at 271–272.

[49] *Rollo*, p. 61, CA Decision.

good faith <u>because what is required is a thorough examination of the records of the Register of Deeds on the registrations made in relation to the Spouses Ferreras and Pinpin TCTs.</u>

On the part of the CA, it stated that:

> Evidence on record do not show that prior to the sale, [petitioners] conducted an ocular inspection of the subject properties or verified/traced . . . Pinpin's right [to] transfer. Had they been more vigilant or prudent as buyers, they could have easily checked if her title was flawed or if she had the capacity to dispose of the subject properties, or if there were any other persons with rights or interests thereon. It is certainly confounding how Orencio . . . failed to question the fact that . . . Pinpin acquired the subject properties from the [Spouses] Ferreras for only [PHP] 250,000.00, whereas he and his wife Eloisa were being made to pay [PHP] 2,550,000.00 representing . . . Pinpin's loan obligation plus [PHP] 750,000.00 or a total of [PHP] 3,300,000.00, an amount considerably so much more than the price actually paid for it. When asked about the details of . . . Pinpin's debt, Orencio . . . could not recall when he loaned her the said amount or the terms and conditions thereof. Considering the fact that [petitioners] have been longtime businessmen/traders, one might expect a certain level of astuteness in their business transactions. Under the circumstances, mere reliance on . . . Pinpin's assurance was misplaced. Likewise, Aries . . . cannot raise the defense of being a buyer in good faith considering his admissions that he assented to his mother Eloisa's decision, and that his only participation in the transaction was to sign the deed of sale and produce the sum of [PHP] 750,000.00. For someone intending to purchase property as residence for his family, his acts certainly do [not] show that he has taken the necessary precaution required of a prudent man. The fact that Eloisa . . . and . . . Pinpin did not participate in the proceedings before the RTC did not help [petitioners'] case. As has been ruled, to successfully invoke and be considered a buyer in good faith, the presumption is that first and foremost, the "buyer in good faith" must have shown prudence and due diligence in the exercise of his/her rights."[50] (Citation omitted)

The Court, as well, fully agrees with the CA in these findings. Petitioners should have become suspicious why they were being made to pay PHP 3,300,000.00 by Pinpin on September 20, 2010, assuming that such was the true consideration of their acquisition of the subject properties, less than a year after Pinpin allegedly bought them on May 11, 2009 for PHP 250,000.00 only from Spouses Ferreras. Surely, as prudent persons, they should have inquired from Pinpin why she was able to buy the subject properties at such a low price from Spouses Ferreras. The Court does not discount the possibility that there might have been special circumstances which prompted Spouses Ferreras to sell at such concessionary price, assuming that they did sell the subject properties which they apparently could not have, given their death prior to the alleged sale to Pinpin. However, for the Court to expect a reasonable explanation from petitioners regarding the huge disparity of considerations between them and Pinpin, and between Pinpin and Spouses

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[50] *Id.* at 70.

Ferreras before it can ascribe good faith to petitioners' dealings with Pinpin, is not really asking too much from petitioners.

As to the undervaluation in purchase price from the purported PHP 3,300,000.00 to PHP 750,000.00, which appeared on the deed of sale between Pinpin and petitioners, to avoid tax payments, *Spouses Cusi* is instructive:

> Another circumstance indicating that the Cusis and the De Veras were not innocent purchasers for value was the gross undervaluation of the property in the deeds of sale at the measly price of [PHP] 1,000,000.00 for each half when the true market value was then in the aggregate of at least [PHP] 14,000,000.00 for the entire property. Even if the undervaluation was to accommodate the request of Sy to enable her to minimize her liabilities for the capital gains tax, their acquiescence to the fraud perpetrated against the Government, no less, still rendered them as parties to the wrongdoing. They were not any less guilty at all. In the ultimate analysis, their supposed passivity respecting the arrangement to perpetrate the fraud was not even plausible, because they knew as the buyers that they were not personally liable for the capital gains taxes and thus had nothing to gain by their acquiescence. There was simply no acceptable reason for them to have acquiesced to the fraud, or for them not to have rightfully insisted on the declaration of the full value of the realty in their deeds of sale. By letting their respective deeds of sale reflect the grossly inadequate price, they should suffer the consequences, including the inference of their bad faith in transacting the sales in their favor.
>
> De Vera particularly insists that she and her late husband did not have any hand in the undervaluation; and that Sy, having prepared the deed of sale, should alone be held responsible for the undervaluation that had inured only to her benefit as the seller. However, such insistence was rendered of no consequence herein by the fact that neither she nor her late husband had seen fit to rectify the undervaluation. It is notable that the De Veras were contracting parties who appeared to have transacted with full freedom from undue influence from Sy or anyone else.
>
> Although the petitioners argue that the actual consideration of the sale was nearly [PHP] 7,000,000.00 for each half of the property, the Court rejects their argument as devoid of factual basis, for they did not adduce evidence of the actual payment of that amount to Sy. Accordingly, the recitals of the deeds of sale were controlling on the consideration of the sales.
>
> Good faith is the honest intention to abstain from taking unconscientious advantage of another. It means the "freedom from knowledge and circumstances which ought to put a person on inquiry." Given this notion of good faith, therefore, a purchaser in good faith is one who buys the property of another without notice that some other person has a right to, or interest in, such property and pays full and fair price for the same. As an examination of the records shows, the petitioners were not innocent purchasers in good faith and for value. Their failure to investigate Sy's title despite the nearly simultaneous transactions on the property that ought to have put them on inquiry manifested their awareness of the flaw in Sy's title.

> That they did not also appear to have paid the full price for their share of the property evinced their not having paid true value.[51] (Citations omitted)

Thus, even the undervaluation in the purchase price is another circumstance which militates against a finding of good faith in petitioners' favor. And, the recitals in the deed of sale between petitioners and Pinpin being controlling on the consideration of the sale, they can be deemed to have not paid true value for their acquisition of the subject properties.

Based on the foregoing, the Court is convinced that petitioners are not innocent purchasers for value who should be protected by the Torrens system. **To be sure, the Court emphasizes anew that it should be the registered owner who should foremost be protected pursuant to PD 1529**—the current law implementing our version of the Torrens system.

Petitioners have consistently argued in this case that in order for them to be considered innocent purchasers for value, their reliance on the face of the Pinpin TCTs is sufficient and that they do not need to inquire further. This is often the argument raised by a person, dealing with registered land, who claims to be an innocent purchaser for value or to have acted in good faith. This argument appears to spring from the "mirror" principle of the Torrens system, whose application in our jurisdiction facially seems to have deviated from what the said principle embodies. Thus, the Court is impelled to clarify.

It is generally recognized that the Torrens system is anchored on three principles or doctrines: "mirror", "curtain", and insurance, to wit:

> The principles of the Torrens system are most commonly described as the 'mirror', the 'curtain' and the insurance principle. The first two are the most important Torrens innovations (Taylor 2008, pp. 12). The 'mirror' principle dictates that a publicly available register will accurately and completely reflect the interests which affect the land within its coverage. As described by Taylor, the mirror principle means that 'if something is not on the register then people are entitled to ignore it' (Taylor 2008, p. 12). Like any real mirror, the Torrens registry 'mirror' can only reflect what is held up to it, and can only represent the objects held up to it in a limited, two-dimensional way. The Torrens 'mirror' reflects only those interests in land that are brought to the registry; relationships with and interests in land that, for whatever reason, are not brought to the registry will not appear in the 'mirror'. That does not mean that such relationships with and interests in land do not exist. As other scholars have noted, the register does not actually reflect all facts that are material to the land, but only 'everything which can be registered, and is registered' (Hinde, McMorland and Sim 1986, cited in McCrimmon 1994, p. 310). While unregistered equitable interests might on some occasions be recognised, in general all unregistered/unregisterable interests in land will disappear from legal view, and will not be binding upon new title-holders or other third parties. The mirror principle of the Torrens system means that the registry will come to reflect, represent and legally legitimise the interests of those who hold their interests up to it.

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[51] *Spouses Cusi v. Domingo* and *De Vera v. Domingo, et al.*, *supra* notes 31 and 32, at 272–273.

> The second principle, the 'curtain', takes further the selective two-dimensional representation of land produced by the 'mirror', by ensuring that interests that are not on the register will not bind new title-holders or other third parties. The register is the sole source of information for prospective purchasers to check, allowing them to draw a metaphorical curtain across all prior and existing interests in the land that do not appear in the 'mirror' (Taylor 2008, p. 13). Any interest hidden behind the curtain will not take effect in property law and can be ignored by prospective purchasers. Like real curtains, the Torrens registry 'curtain' obscures and sometimes blocks particular realities from view. Interests in and relationships with land that are blocked by the registry curtain will not be upheld by property law. Again, this does not mean that such interests and relationships do not exist, only that registry users can effectively pretend that they do not.
>
> Finally, under 'the insurance principle' the state guarantees the accuracy of the register and will compensate any registered title-holder who suffers a loss due to a defect in the register, for example through a fraudulent or erroneous entry (Taylor 2008, p. 14). Working together, these three principles produce indefeasible titles. **The purchaser receives a 'certificate' once title has been registered, but the legal legitimacy of the title comes from what stands on the register.**
>
> Torrens title registries thus represent land, hide other interests and guarantee their users the validity of their titles. Much like magician's smoke and mirrors, the registry's 'mirror' and 'curtain' block prior unregistered interests from legal view while the registry conjures up fresh, indefeasible titles. Retrospection is no longer required when transferring land because Torrens titles are independent of their predecessors and free of the encumbrances of historically derived local land use patterns and custom. These titles are of such high quality that they have been described as 'akin to an absolute grant from the Crown' (Hepburn 2013, p. 229).[52] (Emphasis supplied)

Before the Court surveys jurisprudence wherein it relied upon these principles, there is a need to inquire into the provisions of PD 1529 wherein these principles may be deduced. The Court cautions that this disquisition is entirely anchored on the provisions of PD 1529, the current law on registration of property, and does not reflect the impact, if any, of the administrative strides being undertaken towards e-titling or computerized titling.

The "mirror" and "curtain" principles, as enunciated above, are reflected in the following provisions of PD 1529:

> SEC. 31. *Decree of registration.* — Every decree of registration issued by the Commissioner shall bear the date, hour and minute of its entry, and shall be signed by him. It shall state whether the owner is married or unmarried, and if married, the name of the husband or wife: Provided, however, that if the land adjudicated by the court is conjugal property, the decree shall be issued in the name of both spouses. If the owner is under disability, it shall state the nature of disability, and if a minor, his age. It

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52 Keenan, Sarah (2017), SMOKE, CURTAINS AND MIRRORS: THE PRODUCTION OF RACE THROUGH TIME AND TITLE REGISTRATION, downloaded from https://eprints.bbk.ac.uk/id/eprint/16292/.

shall contain a description of the land as finally determined by the court, and shall set forth the estate of the owner, and also, in such manner as to show their relative priorities, all particular estates, mortgages, easements, liens, attachments, and other encumbrances, including rights of tenant-farmers, if any, to which the land or owner's estate is subject, as well as any other matters properly to be determined in pursuance of this Decree.

The decree of registration shall bind the land and quiet title thereto, subject only to such exceptions or liens as may be provided by law. It shall be conclusive upon and against all persons, including the National Government and all branches thereof, whether mentioned by name in the application or notice, the same being included in the general description "To all whom it may concern".

SEC. 32. *Review of decree of registration; Innocent purchaser for value.* — The decree of registration shall not be reopened or revised by reason of absence, minority, or other disability of any person adversely affected thereby, nor by any proceeding in any court for reversing judgments, subject, however, to the right of any person, including the government and the branches thereof, deprived of land or of any estate or interest therein by such adjudication or confirmation of title obtained by actual fraud, to file in the proper Court of First Instance a petition for reopening and review of the decree of registration not later than one year from and after the date of the entry of such decree of registration, but in no case shall such petition be entertained by the court where an innocent purchaser for value has acquired the land or an interest therein, whose rights may be prejudiced. Whenever the phrase "innocent purchaser for value" or an equivalent phrase occurs in this Decree, it shall be deemed to include an innocent lessee, mortgagee, or other encumbrancer for value.

Upon the expiration of said period of one year, the decree of registration and the certificate of title issued shall become incontrovertible. Any person aggrieved by such decree of registration in any case may pursue his remedy by action for damages against the applicant or any other persons responsible for the fraud.

. . . .

SEC. 43. *Transfer Certificate of Title.* — The subsequent certificate of title that may be issued by the Register of Deeds pursuant to any voluntary or involuntary instrument relating to the same land shall be in like form, entitled "Transfer Certificate of Title", and likewise issued in duplicate. The certificate shall show the number of the next previous certificate covering the same land and also the fact that it was originally registered, giving the record number, the number of the original certificate of title, and the volume and page of the registration book in which the latter is found.

SEC. 44. *Statutory liens affecting title.* — Every registered owner receiving a certificate of title in pursuance of a decree of registration, and every subsequent purchaser of registered land taking a certificate of title for value and in good faith, shall hold the same free from all encumbrances except those noted in said certificate and any of the following encumbrances which may be subsisting, namely:

First. Liens, claims or rights arising or existing under the laws and Constitution of the Philippines which are not by law required to appear of record in the Registry of Deeds in order to be valid against subsequent purchasers or encumbrancers of record.

Second. Unpaid real estate taxes levied and assessed within two years immediately preceding the acquisition of any right over the land by an innocent purchaser for value, without prejudice to the right of the government to collect taxes payable before that period from the delinquent taxpayer alone.

Third. Any public highway or private way established or recognized by law, or any government irrigation canal or lateral thereof, if the certificate of title does not state that the boundaries of such highway or irrigation canal or lateral thereof have been determined.

Fourth. Any disposition of the property or limitation on the use thereof by virtue of, or pursuant to, Presidential Decree No. 27 or any other law or regulations on agrarian reform.

. . . .

SEC. 46. *General incidents of registered land.* — Registered land shall be subject to such burdens and incidents as may arise by operation of law. Nothing contained in this decree shall in any way be construed to relieve registered land or the owners thereof from any rights incident to the relation of husband and wife, landlord and tenant, or from liability to attachment or levy on execution, or from liability to any lien of any description established by law on the land and the buildings thereon, or on the interest of the owner in such land or buildings, or to change the laws of descent, or the rights of partition between co-owners, or the right to take the same by eminent domain, or to relieve such land from liability to be recovered by an assignee in insolvency or trustee in [bankruptcy] under the laws relative to preferences, or to change or affect in any way other rights or liabilities created by law and applicable to unregistered land, except as otherwise provided in this Decree.

. . . .

SEC. 51. *Conveyance and other dealings by registered owner.* — An owner of registered land may convey, mortgage, lease, charge or otherwise deal with the same in accordance with existing laws. He may use such forms of deeds, mortgages, leases or other voluntary instruments as are sufficient in law. But no deed, mortgage, lease, or other voluntary instrument, except a will purporting to convey or affect registered land shall take effect as a conveyance or bind the land, but shall operate only as a contract between the parties and as evidence of authority to the Register of Deeds to make registration.

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under this Decree, the registration shall be made in the office of the Register of Deeds for the province or city where the land lies.

SEC. 52. *Constructive notice upon registration.* — Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land shall, **if registered, filed or entered in the office of the Register of Deeds** for the province or city where the land to which it relates lies, **be constructive notice to all persons from the time of such registering, filing or entering**.

SEC. 53. *Presentation of owner's duplicate upon entry of new certificate.* — No voluntary instrument shall be registered by the Register of Deeds, unless the owner's duplicate certificate is presented with such instrument, except in cases expressly provided for in this Decree or upon order of the court, for cause shown.

The production of the owner's duplicate certificate, whenever any voluntary instrument is presented for registration, shall be conclusive authority from the registered owner to the Register of Deeds **to enter a new certificate or to make a memorandum of registration in accordance with such instrument, and the new certificate or memorandum shall be binding upon the registered owner and upon all persons claiming under him**, in favor of every purchaser for value and in good faith.

In all cases of registration procured by fraud, the owner may pursue all his legal and equitable remedies against the parties to such fraud without prejudice, however, to the rights of any innocent holder for value of a certificate of title. After the entry of the decree of registration on the original petition or application, any subsequent registration procured by the presentation of a forged duplicate certificate of title, or a forged deed or other instrument, shall be null and void.

SEC. 54. *Dealings less than ownership, how registered.* — No new certificate shall be entered or issued pursuant to any instrument which does not divest the ownership or title from the owner or from the transferee of the registered owners. All interests in registered land less than ownership shall be registered by filing with the Register of Deeds the instrument which creates or transfers or claims such interests and by a brief memorandum thereof made by the Register of Deeds upon the certificate of title, and signed by him. **A similar memorandum shall also be made on the owner's duplicate.** The cancellation or extinguishment of such interests shall be registered in the same manner.

. . . .

SEC. 56. *Primary Entry Book; fees; certified copies.* — Each Register of Deeds shall keep a primary entry book in which, upon payment of the entry fee, he shall enter, in the order of their reception, all instruments including copies of writs and processes filed with him relating to registered land. He shall, as a preliminary process in registration, note in such book the date, hour and minute of reception of all instruments, in the order in which they were received. They shall be regarded as registered from the time so noted, and the memorandum of each instrument, when made on the certificate of title to which it refers, shall bear the same date: Provided, that the national government as well as the provincial and city governments shall be exempt from the payment of such fees in advance in order to be entitled to entry and registration.

> Every deed or other instrument, whether voluntary or involuntary, so filed with the Register of Deeds shall be numbered and indexed and endorsed with a reference to the proper certificate of title. **All records and papers relative to registered land in the office of the Register of Deeds shall be open to the public in the same manner as court records, subject to such reasonable regulations as the Register of Deeds, under the direction of the Commissioner of Land Registration, may prescribe.**
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> All deeds and voluntary instruments shall be presented with their respective copies and shall be attested and sealed by the Register of Deeds, endorsed with the file number, and copies may be delivered to the person presenting them.
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> Certified copies of all instruments filed and registered may also be obtained from the Register of Deeds upon payment of the prescribed fees.
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> . . . .
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> SEC. 57. *Procedure in registration of conveyances.* — An owner desiring to convey his registered land in fee simple shall execute and register a deed of conveyance in a form sufficient in law. The Register of Deeds shall thereafter make out in the registration book a new certificate of title to the grantee and shall prepare and deliver to him an owner's duplicate certificate. The Register of Deeds shall note upon the original and duplicate certificate the date of transfer, the volume and page of the registration book in which the new certificate is registered and a reference by number to the last preceding certificate. The original and the owner's duplicate of the grantor's certificate shall be stamped "cancelled". The deed of conveyance shall be filed and indorsed with the number and the place of registration of the certificate of title of the land conveyed.
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> . . . .
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> SEC. 59. *Carry over of encumbrances.* — If, at the time of any transfer, subsisting encumbrances or annotations appear in the registration book, they shall be carried over and stated in the new certificate or certificates; except so far as they may be simultaneously released or discharged. (Emphasis supplied)

Relatedly, the above-cited provisions mention the primary entry book and the registration book of the Register of Deeds as sources wherein inquiry as to the status of and circumstances affecting certificates of title can be made. There is also a record book mentioned in Section 40 of PD 1529, to wit:

> SEC. 40. *Entry of Original Certificate of Title.* — Upon receipt by the Register of Deeds of the original and duplicate copies of the original certificate of title the same shall be entered in his record book and shall be numbered, dated, signed and sealed by the Register of Deeds with the seal of his office. Said certificate of title shall take effect upon the date of entry thereof. The Register of Deeds shall forthwith send notice by mail to the registered owner that his owner's duplicate is ready for delivery to him upon payment of legal fees.

As provided in Section 42 of PD 1529, a registration book for titled properties is supposed to be kept in the Registry of Deeds, to wit:

> SEC. 42. *Registration Books.* — The original copy of the original certificate of title shall be filed in the Registry of Deeds. The same shall be bound in consecutive order together with similar certificates of title and shall constitute the registration book for titled properties.

Reference to a registration book is likewise found in Sections 57, 61, and 65 of PD 1529, to wit:

> SEC. 57. *Procedure in registration of conveyances.* — An owner desiring to convey his registered land in fee simple shall execute and register a deed of conveyance in a form sufficient in law. The Register of Deeds shall thereafter make out in the registration book a new certificate of title to the grantee and shall prepare and deliver to him an owner's duplicate certificate. The Register of Deeds shall note upon the original and duplicate certificate the date of transfer, the volume and page of the registration book in which the new certificate is registered and a reference by number to the last preceding certificate. The original and the owner's duplicate of the grantor's certificate shall be stamped "cancelled". The deed of conveyance shall be filed and indorsed with the number and the place of registration of the certificate of title of the land conveyed.
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> . . . .
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> SEC. 61. *Registration.* — Upon presentation for registration of the deed of mortgage or lease together with the owner's duplicate, the Register of Deeds shall enter upon the original of the certificate of title and also upon the owner's duplicate certificate a memorandum thereof, the date and time of filing and the file number assigned to the deed, and shall sign the said memorandum. He shall also note on the deed the date and time of filing and a reference to the volume and page of the registration book in which it is registered.
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> . . . .
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> SEC. 65. *Trusts in registered land.* — If a deed or other instrument is filed in order to transfer registered land in trust, or upon any equitable condition or limitation expressed therein, or to create or declare a trust or other equitable interests in such land without transfer, the particulars of the trust, condition, limitation or other equitable interest shall not be entered on the certificate; but only a memorandum thereof shall be entered by the words "in trust", or "upon condition", or other apt words, and by a reference by number to the instrument authorizing or creating the same. A similar memorandum shall be made upon the original instrument creating or declaring the trust or other equitable interest with a reference by number to the certificate of title to which it relates and to the volume and page in the registration book in which it is registered.

Elsewhere in PD 1529, there is mentioned a provisional register of documents under PD 27 in Section 104,[53] a primary entry book, a registration book and a record book for unregistered lands in Section 113,[54] and a primary entry book and a registration book for chattel mortgages under Section 115.[55]

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[53] SEC. 104. *Provisional Register of Documents.* — The Department of Agrarian Reform shall prepare by automated data processing a special registry book to be known as the "Provisional Register of Documents issued under PD-27" which shall be kept and maintained in every Registry of Deeds throughout the country. Said Registry Book shall be a register of:

a. All Certificates of Land Transfer (CLT) issued pursuant to P.D. No. 27; and

b. All subsequent transactions affecting Certificates of Land Transfer such as adjustments, transfer, duplication and cancellations of erroneous Certificates of Land Transfer.

[54] SEC. 113. *Recording of instruments relating to unregistered lands.* — No deed, conveyance, mortgage, lease, or other voluntary instrument affecting land not registered under the Torrens system shall be valid, except as between the parties thereto, unless such instrument shall have been recorded in the manner herein prescribed in the office of the Register of Deeds for the province or city where the land lies.

(a) The Register of Deeds for each province or city shall keep a Primary Entry Book and a Registration Book. The Primary Entry Book shall contain, among other particulars, the entry number, the names of the parties, the nature of the document, the date, hour and minute it was presented and received. The recording of the deed and other instruments relating to unregistered lands shall be effected by any of annotation on the space provided therefor in the Registration Book, after the same shall have been entered in the Primary Entry Book.

(b) If, on the face of the instrument, it appears that it is sufficient in law, the Register of Deeds shall forthwith record the instrument in the manner provided herein. In case the Register of Deeds refuses its admission to record, said official shall advise the party in interest in writing of the ground or grounds for his refusal, and the latter may appeal the matter to the Commissioner of Land Registration in accordance with the provisions of Section 117 of this Decree. It shall be understood that any recording made under this section shall be without prejudice to a third party with a better right.

(c) After recording on the Record Book, the Register of Deeds shall endorse, among other things, upon the original of the recorded instruments, the file number and the date as well as the hour and minute when the document was received for recording as shown in the Primary Entry Book, returning to the registrant or person in interest the duplicate of the instrument, with appropriate annotation, certifying that he has recorded the instrument after reserving one copy thereof to be furnished the provincial or city assessor as required by existing law.

(d) Tax sale, attachment and levy, notice of *lis pendens*, adverse claim and other instruments in the nature of involuntary dealings with respect to unregistered lands, if made in the form sufficient in law, shall likewise be admissible to record under this section.

(e) For the services to be rendered by the Register of Deeds under this section, he shall collect the same amount of fees prescribed for similar services for the registration of deeds or instruments concerning registered lands.

[55] SEC. 115. *Manner of recording chattel mortgages.* — Every Register of Deeds shall keep a Primary Entry Book and a Registration Book for chattel mortgages; shall certify on each mortgage filed for record, as well as on its duplicate, the date, hour, and minute when the same was by him received; and shall record in such books any chattel mortgage, assignment or discharge thereof, and any other instrument relating to a recorded mortgage, and all such instruments shall be presented to him in duplicate, the original to be filed and the duplicate to be returned to the person concerned.

The recording of a mortgage shall be effected by making an entry, which shall be given a correlative number, setting forth the names of the mortgagee and the mortgagor, the sum or obligation guaranteed, date of the instrument, name of the notary before whom it was sworn to or acknowledged, and a note that the property mortgaged, as well as the terms and conditions of the mortgage, is mentioned in detail in the instrument filed, giving the proper file number thereof. The recording of other instruments relating to a recorded mortgage shall be effected by way of annotation on the space provided therefor in the Registration Book, after the same shall have been entered in the Primary Entry Book.

The Register of Deeds shall also certify the officer's return of sale upon any mortgage, making reference upon the record of such officer's return to the volume and page of the record of the mortgage, and a reference of such return on the record of the mortgage itself, and give a certified copy thereof, when requested, upon payment of the legal fees for such copy thereof, when requested, upon payment of the legal fees for such copy and certify upon each mortgage officer's return of sale or discharge of mortgage, and upon any other instrument relating to such a recorded mortgage, both on the original and in the duplicate, the date, hour, and minute when the same is received for record and record such certificate with the return itself, and keep an alphabetical index of mortgagors and mortgagees, which record and index shall be open to public inspection.

Duly certified copies of such records and of filed instruments shall be receivable as evidence in any court.

As to whether these physical books mentioned in PD 1529 are presently being maintained by the Register of Deeds given the computerization of titles and conversion of physical certificates of title to electronic titles by the Land Registration Authority (LRA) largely depends on the progress of such computerization and conversion in each Register of Deeds.

Going back to the "mirror" principle, specifically with respect to "only those interests in land that are brought to the registry; [and] relationships with and interests in land that, for whatever reason, are not brought to the registry will not appear in the 'mirror'",[56] this is evident in Sections 43, 44, 46, 51, 52, 56, 57, and 59 of PD 1529.

On the other hand, the "curtain" principle—that "interests that are not on the register will not bind new title-holders or other third parties[; t]he register [being] the sole source of information for prospective purchasers to check, allowing them to draw a metaphorical curtain across all prior and existing interests in the land that do not appear in the 'mirror'"[57]—is embodied in Sections 31, 32, 44, 51, 52, 53, 54, 56, 57, and 59.

As envisioned in PD 1529, the "mirror" is primarily the register because it should reflect all that have been registered therein. However, unregistered statutory liens[58] have the same effect as those encumbrances noted thereon and bind the registered land, while general "burdens and incidents as may arise by operation of law"[59] may, under certain circumstances, still affect the registered land. Thus, while these liens, burdens, and interests do not appear in the "mirror", they may attach to the registered land and legally bind those dealing therewith.

Concerning what specific physical book or books which the Register of Deeds is mandated by PD 1529 to keep and maintain, and to which the "register" refers, it suffices that the reference should, first and foremost, be with the primary entry book.

Section 56 of PD 1529 distinctly provides that: "all instruments including copies of writs and processes filed . . . relating to registered land" shall be entered in the primary entry book, upon payment of the entry fee, "in the order of their reception" with a "note in such book the date, hour and minute of reception of all instruments" and "[t]hey shall be regarded as registered from the time so noted." It is also this Section 56 which allows the public access to "[a]ll records and papers relative to registered land in the office of the Register of Deeds . . . in the same manner as court records, subject to such reasonable regulations as the Register of Deeds, under the direction of the Commissioner of Land Registration, may prescribe." With the digitalization of the records of

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56 Keenan, Sarah, *supra* note 52.
57 *Id.*
58 *See* PD 1529, sec. 44.
59 *See* PD 1529, sec. 46.

the Register of Deeds, what used to be the physical primary entry book is now the electronic primary entry book or EPEB.

As well, the Torrens certificate is intended to be a "mirror" reflective to a certain extent of the register pertinent to the registered land. This observation is supported by the information which must be shown in the subsequent certificates of title issued after the original registration of the land as required under Section 43; the memorandum requirement under Sections 53, 54, and 56; the notation directive under Section 57; and the carry over provision under Section 59. The reflection emanating from the certificate of title "mirror" is limited due to the fact that past annotations or memorandums may have already been cancelled and no longer carried over to the pertinent subsequent certificate of title, after the proper proceedings have been instituted for their cancellation. Likewise, for valid reasons, alteration and amendment may be made upon the registration book after the entry of a certificate of title or of a memorandum thereon pursuant to Section 108 of PD 1529.

In the same vein, the register is also the "curtain" which blocks all prior and existing interests in the land that are not reflected in the register. However, as contemplated in PD 1529, similar to how the "mirror" works, the liens, burdens, and incidents mentioned above are not totally blocked, and, as discussed above, persons dealing with the registered land may still be bound by them.

The Torrens certificate also serves as a "curtain" because, as observed above, it reflects the register insofar as unreleased or undischarged annotations or encumbrances pursuant to the carry over provision under Section 59 and the latest amendment or alteration authorized by Section 108.

The Court notes that the constructive notice provision of PD 1529 (Section 52), and its provision that all records and papers relative to registered land in the Registry of Deeds office are open to the public subject to prescribed reasonable regulations (Section 56), enhance both the "mirror" and "curtain" principles embedded in PD 1529. A person dealing with registered land is not excused from not inquiring into the registrations made in relation thereto because such person is constructively notified thereof. This is operationalized by the law when it mandates that all records and papers of the Registry of Deeds relative to such registrations are open to him or her.

With computerized and electronic titles, the Court understands that there may no longer be a physical original certificate of title—the one referred to in Sections 39 and 40 of PD 1529, regarding the Original Certificate of Title and Section 43, regarding the Transfer Certificate of Title, or the "government copy" as it is referred to at present in a Memorandum[60] issued by LRA—

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[60] *See* LRA Memorandum dated August 27, 2020, Appropriate Naming of LRA Title Storage Areas in the Registries of Deeds, the "Government Copy" of the Title, and the System-generated Title, among others, issued by the Administrator of the Land Registration Authority.

which is to be kept by the Register of Deeds. The said original certificate of title is now in digital form stored in the LRA Computerized System being maintained by the Land Registration Systems, Inc. (LARES). Pursuant to the said LRA Memorandum, a copy of the digitized original certificate of title may be obtained from the Register of Deeds and this copy generated from the LRA Computerized System, which is called as an electronic title or "eTitle", is now being referred to as computerized title or "cTitle". Only the owner's duplicate certificate of title is issued by the Register of Deeds in physical form.

The insurance principle, on the other hand, is sought to be implemented by the Assurance Fund provisions of PD 1529, to wit:

CHAPTER VII

ASSURANCE FUND

SEC. 93. *Contribution to Assurance Fund.* — Upon the entry of a certificate of title in the name of the registered owner, and also upon the original registration on the certificate of title of a building or other improvements on the land covered by said certificate, as well as upon the entry of a certificate pursuant to any subsequent transfer of registered land, there shall be paid to the Register of Deeds one-fourth of one per cent of the assessed value of the real estate on the basis of the last assessment for taxation purposes, as contribution to the Assurance Fund. Where the land involved has not yet been assessed for taxation, its value for purposes of this decree shall be determined by the sworn declaration of two disinterested persons to the effect that the value fixed by them is to their knowledge, a fair valuation.

Nothing in this section shall in any way preclude the court from increasing the valuation of the property should it appear during the hearing that the value stated is too small.

. . . .

SEC. 95. *Action for compensation from funds.* — A person who, **without negligence on his part**, sustains loss or damage, or is deprived of land or any estate or interest therein in consequence of the bringing of the land under the operation of the Torrens system of arising after original registration of land, through fraud or **in consequence of any error, omission, mistake or misdescription in any certificate of title or in any entry or memorandum in the registration book**, and who by the provisions of this Decree is barred or otherwise precluded under the provision of any law from bringing an action for the recovery of such land or the estate or interest therein, may bring an action in any court of competent jurisdiction for the recovery of damages to be paid out of the Assurance Fund.

SEC. 96. *Against whom action filed.* — If such action is brought to recover for loss or damage or for deprivation of land or of any estate or interest therein arising wholly through fraud, negligence, omission, mistake or misfeasance of the court personnel, Register of Deeds, his deputy, or other employees of the Registry in the performance of their respective duties, the

action shall be brought against the Register of Deeds of the province or city where the land is situated and the National Treasurer as defendants. But if such action is brought to recover for loss or damage or for deprivation of land or of any interest therein arising through fraud, negligence, omission, mistake or misfeasance of person other than court personnel, the Register of Deeds, his deputy or other employees of the Registry, such action shall be brought against the Register of Deeds, the National Treasurer and other person or persons, as co-defendants. It shall be the duty of the Solicitor General in person or by representative to appear and to defend all such suits with the aid of the fiscal of the province or city where the land lies: Provided, however, that nothing in this Decree shall be construed to deprive the plaintiff of any right of action which he may have against any person for such loss or damage or deprivation without joining the National Treasurer as party defendant. In every action filed against the Assurance Fund, the court shall consider the report of the Commissioner of Land Registration.

SEC. 97. *Judgment, how satisfied.* — If there are defendants other than the National Treasurer and the Register of Deeds and judgment is entered for the plaintiff and against the National Treasurer, the Register of Deeds and any of the other defendants, execution shall first issue against such defendants other than the National and the Register of Deeds. If the execution is returned unsatisfied in whole or in part, and the officer returning the same certifies that the amount due cannot be collected from the land or personal property of such other defendants, only then shall the court, upon proper showing, order the amount of the execution and costs, or so much thereof as remains unpaid, to be paid by the National treasurer out of the Assurance Fund. In an action under this Decree, the plaintiff cannot recover as compensation more than the fair market value of the land at the time he suffered the loss, damage, or deprivation thereof.

. . . .

SEC. 100. *Register of Deeds as party in interest.* — When it appears that the Assurance Fund may be liable for damages that may be incurred due to the unlawful or erroneous issuance of a certificate of title, the Register of Deeds concerned shall be deemed a proper party in interest who shall, upon authority of the Commissioner of Land Registration, file the necessary action in court to annul or amend the title.

The court may order the Register of Deeds to amend or cancel a certificate of title or to do any other act as may be just and equitable.

SEC. 101. *Losses not recoverable.* — The Assurance Fund shall not be liable for any loss, damage or deprivation caused or occasioned by a breach of trust, whether express, implied or constructive or by any mistake in the resurvey or subdivision of registered land resulting in the expansion of area in the certificate of title.

SEC. 102. *Limitation of Action.* — Any action for compensation against the Assurance Fund by reason of any loss, damage or deprivation of land or any interest therein shall be instituted within a period of **six years** from the time the right to bring such action first occurred: Provided, That the right of action herein provided shall survive to the legal representative of the person sustaining loss or damage, unless barred in his lifetime; and Provided, further, That if at the time such right of action first accrued the

> person entitled to bring such action was a minor or insane or imprisoned, or otherwise under legal disability, such person or anyone claiming from, by or under him may bring the proper action at any time within two years after such disability has been removed, notwithstanding the expiration of the original period of six years first above provided. (Emphasis supplied)

The Court will not discuss in detail the insurance principle inasmuch as it is not relevant in this case. However, in its application, the Court is reminded of J. Barredo's Concurring Opinion in *Republic* to prioritize the registered owner's interest, *viz.*:

> The Torrens system of land registration was conceived to give every duly registered owner complete peace of mind as long as he has not voluntarily disposed of any right over the same in the manner allowed by law that he would be safe in his ownership and its consequent rights. The provision about recourse to the Assurance Fund was not included in the Act for the benefit of scoundrels who might ingeniously "steal" lands nor to open opportunities for chicanery of any shade or mode.[61] (Emphasis supplied)

Turning now to recent jurisprudence, the Court has made references to the "mirror" and "curtain" principles in this wise:

In the 2013 case of *Spouses Cusi*, the Court noted:

> One of the guiding tenets underlying the Torrens system is the curtain principle, in that one does not need to go behind the certificate of title because it contains all the information about the title of its holder. This principle dispenses with the need of proving ownership by long complicated documents kept by the registered owner, which may be necessary under a private conveyancing system, and assures that all the necessary information regarding ownership is on the certificate of title. Consequently, the avowed objective of the Torrens system is to obviate possible conflicts of title by giving the public the right to rely upon the face of the Torrens certificate and, as a rule, to dispense with the necessity of inquiring further; on the part of the registered owner, the system gives him complete peace of mind that he would be secured in his ownership as long as he has not voluntarily disposed of any right over the covered land.[62] (Citation omitted)

In the 2014 case of *Locsin v. Hizon, et al.*[63] (*Locsin*), the Court stated:

> Complementing this is the mirror doctrine which echoes the doctrinal rule that every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and is in no way obliged to go beyond the certificate to determine the condition of the property.[64] (Citation omitted)

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61 J. Barredo, Concurring Opinion in *Republic v. Court of Appeals*, *supra* note 43, at 434.

62 *Spouses Cusi v. Domingo* and *De Vera v. Domingo, et al.*, *supra* notes 31 and 32, at 267.

63 743 Phil. 420 (2014) [Per J. Velasco, Jr., Third Division].

64 *Id.* at 429–430.

In the 2017 case of *Dy v. Aldea*[65] (*Dy*), citing *Locsin*, the Court pronounced:

> *Only an innocent purchaser for value may invoke the mirror doctrine*
>
> The real purpose of the Torrens system of registration is to quiet title to land and to put a stop to any question of legality of the title except claims which have been recorded in the certificate of title at the time of registration or which may arise subsequent thereto. As a consequence, the mirror doctrine provides that every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and is in no way obliged to go beyond the certificate to determine the condition of the property.[66] (Citations omitted)

In the 2022 *En Banc* case of *Duenas, et al. v. Metropolitan Bank and Trust Co., et al.*[67] (*Duenas*), citing *Dy*, the Court said:

> The prevailing rule in dealing with registered lands is that one need not inquire beyond the four corners of the Torrens certificate of title. The purpose of the Torrens system is to "obviate possible conflicts of title by giving the public the right to rely upon the face of the Torrens certificate and to dispense, as a rule, with the necessity of inquiring further."
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> . . . .
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> In sum, the mirror doctrine provides that every person dealing with a registered land may safely rely on the correctness of the certificate of title issued therefor and is not obliged to go beyond the certificate to determine the condition of property. "As such, a defective title, or one the procurement of which is tainted with fraud and misrepresentation — may be the source of a completely legal and valid title, provided that the buyer is an innocent third person who, in good faith, relied on the correctness of the certificate of title, or an innocent purchaser for value."[68] (Citations omitted)

In the 2023 case of *Chua, etc. v. Republic*,[69] the Court reiterated *Duenas*, to wit:

> In *Dueñas v. Metropolitan Bank and Trust Co.*, this Court summarized the concepts surrounding the "mirror doctrine" as follows:
>
> > In sum, the mirror doctrine provides that every person dealing with a registered land may safely rely on the correctness of the certificate of title issued therefor and is not obliged to go beyond the certificate to determine the condition of property. "As such, a defective title, or one the procurement of which is tainted with fraud and

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65 816 Phil. 657 (2017) [Per J. Mendoza, Second Division].

66 *Id.* at 668.

67 G.R. No. 209463, November 29, 2022 [Per J. Hernando, *En Banc*].

68 *Id.* at 19-23. This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website.

69 G.R. No. 253305, August 2, 2023 [Per J. Hernando, First Division].

> misrepresentation — may be the source of a completely legal and valid title, provided that the buyer is an innocent third person who, in good faith, relied on the correctness of the certificate of title, or an innocent purchaser for value."[70] (Citation omitted)

It may be in the context of these recent pronouncements of the Court that petitioners argue, without any direct mention of the "mirror" principle or doctrine, that they had no duty to look beyond the face of the TCTs they dealt with. They even cited the 2017 case of *Calma v. Lachica*[71] (*Calma*) as their jurisprudential support and in *Calma*, the Court invoked the passage—"every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and is in no way obliged to go beyond the certificate to determine the condition of the property."[72]

It is noted that the above recent pronouncements of the Court do not seem to echo exactly the "mirror" and "curtain" principles which the Torrens system had envisioned. When they mention and discuss these principles, the reference is only with the certificate of title, when, in point of law, as designed, the reference is primarily with respect to the register.

However, there have been previous cases where the reference was more correctly with the register, and the register or certificate of title.

In the 1937 *En Banc* case of *William H. Anderson & Co. v. Garcia*,[73] the Court said:

> Whatever might have been generally or unqualifiedly stated in the cases heretofore decided by this court, we hold that under the Torrens system registration is the operative act that gives validity to the transfer or creates a lien upon the land (secs. 50 and 51, Land Registration Act). **A person dealing with registered land is not required to go behind the register to determine the condition of the property. He is only charged with notice of the burdens on the property which are noted on the face of the register or the certificate of title.** To require him to do more is to defeat one of the primary objects of the Torrens system. A *bona fide* purchaser for value of such property at an auction sale acquires good title as against a prior transferee of the same property if such transfer was unrecorded at the time of the auction sale. The existence or absence of good faith will, of course, have to be determined upon the facts and the legal environment of each particular case.[74] (Emphasis supplied)

The Court in the 1991 case of *Radiowealth Finance Company v. Palileo*[75] again said:

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70 *Id.* at 12. This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website.
71 *Supra* note 16.
72 *Rollo*, p. 29, Petition, *citing Calma v. Lachica*, *supra* note 16, at 620.
73 64 Phil. 506 (1937) [Per J. Laurel, *En Banc*].
74 *Id.* at 514–515.
75 274 Phil. 516 (1991) [Per J. Gancayco, First Division].

> There is no ambiguity regarding the application of the law with respect to lands registered under the Torrens System. Section 51 of Presidential Decree No. 1529 (amending Section 50 of Act No. 496) clearly provides that the act of registration is the operative act to convey or affect registered lands insofar as third persons are concerned. **Thus, a person dealing with registered land is not required to go behind the register to determine the condition of the property. He is only charged with notice of the burdens on the property which are noted on the face of the register or certificate of title.** Following this principle, this Court has time and again held that a purchaser in good faith of registered land (covered by a Torrens Title) acquires a good title as against all the transferees thereof whose right is not recorded in the registry of deeds at the time of the sale.[76] (Emphasis supplied; citations omitted)

The reference to register or certificate of title was reiterated in the 1992 case of *Agricultural and Home Extension Development Group v. CA*,[77] *viz.*: "Thus, a person dealing with registered land is only charged with notice of the burdens on the property which are noted on the **register or certificate of title**."[78]

In the 2004 case of *Spouses Abrigo v. De Vera*,[79] the Court mentioned registry, *viz.*:

> Equally important, under Section 44 of PD 1529, every registered owner receiving a certificate of title pursuant to a decree of registration, and every subsequent purchaser of registered land taking such certificate for value and in *good faith* shall hold the same free from all encumbrances, except those noted and enumerated in the certificate. **Thus, a person dealing with registered land is not required to go behind the registry to determine the condition of the property, since such condition is noted on the face of the register or certificate of title.** Following this principle, this Court has consistently held as regards registered land that a purchaser in good faith acquires a good title as against all the transferees thereof whose rights are not recorded in the Registry of Deeds at the time of the sale.[80] (Emphasis supplied)

But is there really a marked difference or inconsistency between the earlier pronouncements of the Court wherein the reference is to the register or the certificate of title and the later ones which only mention the certificate of title?

There is none. Perhaps the confusion lies in the literal application of the "mirror" and "curtain" principles as expressed in recent jurisprudence in that inquiry is confined only to the four corners of the Torrens certificate of title, and such inquiry is sufficient for purposes of proving good faith. In an ideal situation, where there are no suspicious circumstances, whether registered or

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76 *Id.* at 518–519.

77 288 Phil. 443 (1992) [Per J. Cruz, First Division].

78 *Id.* at 447. (Emphasis supplied; citation omitted)

79 476 Phil. 641 (2004) [Per J. Panganiban, First Division].

80 *Id.* at 654, *citing Radiowealth Finance Company v. Palileo*, *supra* note 75, at 518–519, among other cases.

not, surrounding the dubious title or right of the person who is conveying the registered property, or impairing the right or interest of an unsuspecting registered owner, such literal application is not problematic.

As discussed earlier, the Torrens certificate is also a "mirror" and a "curtain". If the Torrens certificate is truly and completely reflective of the register affecting such certificate, then there will be no divergent application of these principles. Inquiry into the register is rendered redundant. However, if the Torrens certificate is not, inquiry into the register is the consequential action which proceeds from the constructive notice provision of PD 1529, and the legal precept that ignorance of the registrations affecting the Torrens certificate is inexcusable.

To reiterate, Section 52 of PD 1529 clearly provides:

> SEC. 52. *Constructive notice upon registration.* — Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land shall, **if registered, filed or entered** in the office of the Register of Deeds for the province or city where the land to which it relates lies, **be constructive notice to all persons from the time of such registering, filing or entering**. (Emphasis supplied)

The landmark 1915 case of *Legarda v. Saleeby*[81] (*Legarda*) instructs:

> The record is notice to all the world. All persons are charged with the knowledge of what it contains. All persons dealing with the land so recorded, or any portion of it, must be charged with notice of whatever it contains. The purchaser is charged with notice of every fact shown by the record and is presumed to know every fact which the record discloses. This rule is so well established that it is scarcely necessary to cite authorities in its support (Northwestern National Bank *vs.* Freeman, 171 U.S., 620, 629; Delvin on Real Estate, sections 710, 710 [*a*]).
>
> When a conveyance has been properly recorded such record is constructive notice of its contents and all interests, legal and equitable, included therein. (Grandin *vs.* Anderson, 15 Ohio State, 286, 289; Orvis *vs.* Newell, 17 Conn., 97; Buchanan *vs.* International Bank, 78 Ill., 500; Youngs *vs.* Wilson, 27 N. Y., 351; McCabe *vs.* Grey, 20 Cal., 509; Montefiore *vs.* Browne, 7 House of Lords Cases, 341.)
>
> Under the rule of notice, it is presumed that the purchaser has examined every instrument of record affecting the title. Such presumption is irrebutable. He is charged with notice of every fact shown by the record and is presumed to know every fact which an examination of the record would have disclosed. This presumption cannot be overcome by proof of innocence or good faith. Otherwise the very purpose and object of the law requiring a record would be destroyed. Such presumption cannot be defeated by proof of want of knowledge of what the record contains any more than one may be permitted to show that he was ignorant of the provisions of the law. **The rule that all persons must take notice of the**

[81] 31 Phil. 590 (1915) [Per J. Johnson, *En Banc*].

> **facts which the public record contains is a rule of law.** The rule must be absolute. Any variation would lead to endless confusion and useless litigation.[82] (Emphasis supplied)

Legarda was merely implementing the specific provision of Act No. 496,[83] to wit:

> SEC. 51. Every conveyance, mortgage, lease, lien, attachment, order, decree, instrument, or entry affecting registered land which would under existing laws, or recorded, filed, or entered in the office of the register of deeds, affect the real estate to which it relates shall, if registered, filed, or entered in the office of the register of deeds in the province or city where the real estate to which such instrument relates lies, be **notice** to all persons from the time of such registering, filing, or entering. (Emphasis supplied)

PD 1529 has expressly indicated that the notice to all persons is constructive; thus, in effect, dispensing with actual notice or knowledge. The presumption of notice, which is irrebuttable, cannot be overcome by proof of ignorance of what the record or register contains.

While there is need for an inquiry into the register for someone dealing with registered property to enable him or her to assess whether the registered property is worth transacting, *Legarda* seems to imply that, in the determination of good faith, whether inquiry is made or not makes no difference. That someone is bound by what the record or register contains legally occurs because it is irrebuttably presumed that he or she examined every instrument affecting the certificate of title. Thus, if the register contains a registered instrument which indicates a flaw or defect in the title or right of the person who that someone is transacting with, or a right or interest in the registered property of some other person, the claim of good faith by that someone, whether he or she inquired into the register, cannot be sustained. On the other hand, if no such instrument is registered, the good faith of such person is not affected by his or her non-inquiry into the register.

The consolidated cases of *Spouses Peralta v. Heirs of Bernardina Abalon*[84] and *Heirs of Bernardina Abalon v. Andal, et al.*[85] (*Spouses Peralta*) mention the relevant information, which if known by a person dealing with registered land, will make him or her act in bad faith:

> [A] person dealing with registered land has a right to rely on the Torrens certificate of title and to dispense with the need of inquiring further *except* when the party has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make such inquiry or when the purchaser has knowledge of a defect or the lack of title in his vendor or of sufficient facts to induce a reasonably prudent man to inquire into the status

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82 *Id.* at 600–601.

83 An Act to Provide for the Adjudication and Registration of Titles to Lands in the Philippine Islands, or the "Land Registration Act," November 6, 1902.

84 G.R. No. 183448, 737 Phil. 310 (2014) [Per C.J. Sereno, First Division].

85 G.R. No. 183464, *id.*

> of the title of the property in litigation. The presence of anything which excites or arouses suspicion should then prompt the vendee to look beyond the certificate and investigate the title of the vendor appearing on the face of said certificate. One who falls within the exception can neither be denominated an innocent purchaser for value nor a purchaser in good faith; and hence does not merit the protection of the law.
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> . . . .
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> Jurisprudence has defined an innocent purchaser for value as one who buys the property of another without notice that some other person has a right to or interest therein and who then pays a full and fair price for it at the time of the purchase or before receiving a notice of the claim or interest of some other persons in the property. Buyers in good faith buy a property with the belief that the person from whom they receive the thing is the owner who can convey title to the property. Such buyers do not close their eyes to facts that should put a reasonable person on guard and still claim that they are acting in good faith.[86] (Emphasis supplied; citations omitted)

In *Spouses Bautista v. Silva*[87] (*Spouses Bautista*) three conditions that must concur for the proof of good faith to be sufficient are mentioned, *viz.*:

> A buyer for value in good faith is one who buys property of another, without notice that some other person has a right to, or interest in, such property and pays full and fair price for the same, at the time of such purchase, or before he has notice of the claim or interest of some other persons in the property. ***He buys the property with the well-founded belief that the person from whom he receives the thing had title to the property and capacity to convey it.***
>
> To prove good faith, a buyer of registered and titled land need only show that he relied on the face of the title to the property. He need not prove that he made further inquiry for he is not obliged to explore beyond the four corners of the title. Such degree of proof of good faith, however, is sufficient only when the following conditions concur: first, the seller is the registered owner of the land[;] second, the latter is in possession thereof; and third, at the time of the sale, the buyer was not aware of any claim or interest of some other person in the property, or of any defect or restriction in the title of the seller or in his capacity to convey title to the property.
>
> Absent one or two of the foregoing conditions, then the law itself puts the buyer on notice and obliges the latter to exercise a higher degree of diligence by scrutinizing the certificate of title and examining all factual circumstances in order to determine the seller's title and capacity to transfer any interest in the property. Under such circumstance, it is no longer sufficient for said buyer to merely show that he relied on the face of the title; he must now also show that he exercised reasonable precaution by inquiring beyond the title. Failure to exercise such degree of precaution makes him a buyer in bad faith.[88] (Emphasis in the original; citations omitted)

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86 *Id.* at 324–326.

87 533 Phil. 627 (2006) [Per J. Austria-Martinez, First Division].

88 *Id.* at 638–640.

In the present case, the "laundering" of the Pinpin TCTs which petitioners dealt with did not excuse them from inquiring into the register pursuant to the constructive notice provision of PD 1529. Had they done so, they would have found out the flaws in the Pinpin TCTs and her rights, if any, over the subject properties and could have decided not to deal with them. Petitioners could have backed out, and not push through with their purchase of the subject properties.

Since petitioners did not inquire into the register, and even without such inquiry, they are nonetheless constructively notified of every registration affecting the said subject properties, they cannot feign ignorance of such registrations. Given that such registrations indicate flaws in the Pinpin TCTs and Pinpin's rights over the subject properties, their claim of good faith cannot be sustained. Petitioners have only themselves to blame for not making the proper inquiry into the register.

Thus, when jurisprudence states that, with respect to the "curtain" principle, "one does not need to go behind the certificate of title because it contains all the information about the title of its holder,"[89] and, regarding the "mirror" principle, "every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and is in no way obliged to go beyond the certificate to determine the condition of the property,"[90] or simply, "a person dealing with registered land is not required to go behind the register to determine the condition of the property [as he or she] is only charged with notice of the burdens on the property which are noted on the face of the register or the certificate of title,"[91] without reference to either principle, these do not negate that the principal sources of information regarding the condition of the registered property are the register and the certificate of title. A person dealing with registered property can safely rely on **both** the register and the certificate of title as reflecting all the registrations made affecting that certificate of title; and the property and the certificate of title are only burdened by such registrations, save statutory liens pursuant to Section 44 of PD 1529.

These registrations are considered intrinsic to the register and the certificate of title; and, by virtue of the constructive notice rule, bind everyone. In the resolution of the issue regarding good faith, it is postulated that the presentation of any registration showing a defect or the lack of title or right in the person offering the registered property, e.g., vendor or mortgagor, or some other person having a purported right to or interest therein, will irrebuttably show bad faith on the person dealing therewith. It is with respect to this intrinsic information that the constructive notice rule applies.

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89 *Spouses Cusi v. Domingo* and *De Vera v. Domingo, et al.*, *supra* notes 31 and 32, at 267.

90 *Chua, etc. v. Republic*, *supra* note 69, at 12; *Duenas, et al. v. Metropolitan Bank and Trust Co., et al.*, *supra* note 67, at 23; *Calma v. Lachica*, *supra* note 16, at 620; *Dy v. Aldea*, *supra* note 65, at 668; and *Locsin v. Hizon, et al.*, *supra* note 63, at 429–430.

91 *Spouses Abrigo v. De Vera*, *supra* note 79, at 654; *Radiowealth Finance Company v. Palileo*, *supra* note 75, at 518; and *William H. Anderson & Co. v. Garcia*, *supra* note 73, at 514-515.

This is as far as the "mirror" and "curtain" principles apply. Beyond those registrations, i.e., unregistered liens (except the statutory liens enumerated in Section 44), encumbrances, burdens, and incidents, which the registered property may be subject to, the person dealing therewith has no duty to inquire into because pursuant to Section 51 of PD 1529, "[t]he act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned."

While Section 46 of PD 1529 provides that: "[r]egistered land shall be subject to such burdens and incidents as may arise by operation of law," persons who are not privy thereto are not bound thereby because only "conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land shall, if registered, filed or entered in the office of the Register of Deeds for the province or city where the land to which it relates lies, be constructive notice to all persons from the time of such registering, filing or entering" pursuant to Section 52 of PD 1529. Being unregistered or extraneous to the register and certificate of title, they are not covered by the constructive notice provision of PD 1529.

However, as noted in *Spouses Peralta*, a party who has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make inquiry beyond the register and the certificate of title, or has knowledge of sufficient facts to induce a reasonably prudent person to inquire further, but fails to make such inquiry; and given the presence of anything which excites or arouses suspicion, one who closes his or her eyes to facts that should put a reasonable person on guard, cannot claim that he or she is acting in good faith.[92]

With respect to these extraneous matters, the burden on the party claiming good faith is to show the absence of such suspicious facts or circumstances or lack of knowledge thereof; and in their presence, such party exercised the diligence of a reasonably prudent person to inquire into such facts or circumstances. On the other hand, proof of actual knowledge or failure to exercise the diligence of a reasonably prudent person will overcome the claim of good faith.

Jurisprudentially, the inquiry has always been two-pronged: intrinsically (based on the records of the Register of Deeds and the certificate of title) and extraneously (circumstances beyond the register and the certificate of title).

In *Spouses Bautista*, which advocates the threefold test: the first test—is the seller the registered owner of the land?—primarily requires inquiry into the register and the certificate of title. The second test—is the registered owner in possession of the registered land?—requires inquiry into extraneous matters.

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92 *Spouses Peralta v. Heirs of Bernardina Abalon* and *Heirs of Bernardina Abalon v. Andal, et al.*, *supra* notes 84 and 85, at 324–325.

The third test—at the time of the sale (up to its registration[93]) was the buyer aware of any claim or interest of some other person in the property, or of any defect or restriction in the title of the seller or in the latter's capacity to convey title to the property?—requires both intrinsic and extrinsic examination.

In *Domingo Realty, Inc. v. Court of Appeals*,[94] the Court offered this advice to prospective parties to a contract involving registered or titled property, *viz.*:

> One final note. While the Court can commiserate with respondent Acero in his sad plight, nonetheless we have no power to make or alter contracts in order to save him from the adverse stipulations in the Compromise Agreement. Hopefully this case will serve as a precaution to prospective parties to a contract involving titled lands for them to exercise the diligence of a reasonably prudent person by undertaking measures to ensure the legality of the title and the accurate metes and bounds of the lot embraced in the title. It is advisable that such parties (1) verify the origin, history, authenticity, and validity of the title with the Office of the Register of Deeds and the Land Registration Authority; (2) engage the services of a competent and reliable geodetic engineer to verify the boundary, metes, and bounds of the lot subject of said title based on the technical description in the said title and the approved survey plan in the Land Management Bureau; (3) conduct an actual ocular inspection of the lot; (4) inquire from the owners and possessors of adjoining lots with respect to the true and legal ownership of the lot in question; (5) put up signs that said lot is being purchased, leased, or encumbered; and (6) undertake such other measures to make the general public aware that said lot will be subject to alienation, lease, or encumbrance by the parties. Respondent Acero, for all his woes, may have a legal recourse against lessor David Victorio who inveigled him to lease the lot which turned out to be owned by another.[95]

These suggested measures to be undertaken by a reasonably prudent person involve both intrinsic and extrinsic inquiry.

In *Nobleza v. Nuega*,[96] the Court considered these factors in the determination of good faith, which are basically extrinsic or extraneous, *viz.*:

> In the case of *Spouses Raymundo v. Spouses Bandong*, petitioners therein – as does petitioner herein – were also harping that due to the indefeasibility of a Torrens title, there was nothing in the TCT of the property in litigation that should have aroused the buyer's suspicion as to put her on guard that there was a defect in the title of therein seller. The Court held in the *Spouses Raymundo* case that the buyer therein could not hide behind the cloak of being an innocent purchaser for value by merely relying on the TCT which showed that the registered owner of the land purchased is the seller. The Court ruled in this case that the buyer was not an innocent purchaser for value due to the following attendant circumstances, *viz.*:

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93 *See Duenas, et al. v. Metropolitan Bank and Trust Co., et al.*, *supra* note 67, at 41–44.
94 542 Phil. 39 (2007) [Per J. Velasco, Jr., Second Division].
95 *Id.* at 66–67.
96 755 Phil. 656 (2015) [Per J. Villarama, Jr., Third Division].

> In the present case, we are not convinced by the petitioners' incessant assertion that Jocelyn is an innocent purchaser for value. To begin with, she is a grandniece of Eulalia and resides in the same locality where the latter lives and conducts her principal business. It is therefore impossible for her not to acquire knowledge of her grand aunt's business practice of requiring her *biyaheros* to surrender the titles to their properties and to sign the corresponding deeds of sale over said properties in her favor, as security. This alone should have put Jocelyn on guard for any possible abuses that Eulalia may commit with the titles and the deeds of sale in her possession.

Similarly, in the case of *Arrofo v. Quiño*, the Court held that while "the law does not require a person dealing with registered land to inquire further than what the Torrens Title on its face indicates," the rule is not absolute. Thus, finding that the buyer therein failed to take the necessary precaution required of a prudent man, the Court held that Arrofo was not an innocent purchaser for value, *viz.*:

> In the present case, the records show that Arrofo failed to act as a prudent buyer. True, she asked her daughter to verify from the Register of Deeds if the title to the Property is free from encumbrances. However, Arrofo admitted that the Property is within the neighborhood and that she conducted an ocular inspection of the Property. She saw the house constructed on the Property. Yet, Arrofo did not even bother to inquire about the occupants of the house. Arrofo also admitted that at the time of the sale, Myrna was occupying a room in her house as her lessee. The fact that Myrna was renting a room from Arrofo yet selling a land with a house should have put Arrofo on her guard. She knew that Myrna was not occupying the house. Hence, someone else must have been occupying the house.
>
> Thus, Arrofo should have inquired who occupied the house, and if a lessee, who received the rentals from such lessee. Such inquiry would have led Arrofo to discover that the lessee was paying rentals to Quiño, not to Renato and Myrna, who claimed to own the Property.
>
> An analogous situation obtains in the case at bar.

The TCT of the subject property states that its sole owner is the seller Rogelio himself who was therein also described as "single". However, as in the cases of *Spouses Raymundo* and *Arrofo*, there are circumstances critical to the case at bar which convince us to affirm the ruling of both the appellate and lower courts that herein petitioner is not a buyer in good faith.

First, petitioner's sister Hilda Bautista, at the time of the sale, was residing near Rogelio and Shirley's house – the subject property – in Ladislao Diwa Village, Marikina City. Had petitioner been more prudent as a buyer, she could have easily checked if Rogelio had the capacity to dispose of the subject property. Had petitioner been more vigilant, she could have inquired with such facility – considering that her sister lived in the same Ladislao Diwa

> Village where the property is located – If there was any person other than Rogelio who had any right or interest in the subject pro[p]erty.
>
> To be sure, respondent even testified that she had warned their neighbors at Ladislao Diwa Village – including petitioner's sister – not to engage in any deal with Rogelio relative to the purchase of the subject property because of the cases she had filed against Rogelio. Petitioner denies that respondent had given such warning to her neighbors, which includes her sister, therefore arguing that such warning could not be construed as "notice" on her part that there is a person other than the seller himself who has any right or interest in the subject property. Nonetheless, despite petitioner's adamant denial, both courts *a quo* gave probative value to the testimony of respondent, and the instant petition failed to present any convincing evidence for this Court to reverse such factual finding. To be sure, it is not within our province to second-guess the courts *a quo*, and the re-determination of this factual issue is beyond the reach of a petition for review on certiorari where only questions of law may be reviewed.
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> Second, issues surrounding the execution of the Deed of Absolute Sale also pose question on the claim of petitioner that she is a buyer in good faith. As correctly observed by both courts *a quo*, the Deed of Absolute Sale was executed and dated on December 29, 1992. However, the Community Tax Certificates of the witnesses therein were dated January 2 and 20, 1993. While this irregularity is not a direct proof of the intent of the parties to the sale to make it appear that the Deed of Absolute Sale was executed on December 29, 1992 – or before Shirley filed the petition for legal separation on January 29, 1993 – it is circumstantial and relevant to the claim of herein petitioner as an innocent purchaser for value.
>
> That is not all.
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> In the Deed of Absolute Sale dated December 29, 1992, the civil status of Rogelio as seller was not stated, while petitioner as buyer was indicated as "single," *viz.*:
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> . . . .
>
> It puzzles the Court that while petitioner has repeatedly claimed that Rogelio is "single" under TCT No. 171963 and Tax Declaration Nos. D-012-04723 and D-012-04724, his civil status as seller was not stated in the Deed of Absolute Sale – further creating a cloud on the claim of petitioner that she is an innocent purchaser for value.[97] (Citations omitted)

While the determination of good faith is essentially a factual issue and the specific circumstances of each case vary, the Court proposes another approach which involves the scrutiny and evaluation of, firstly, intrinsic evidence—those which are borne by the register and the certificate of title, and secondly, extrinsic evidence—those circumstances outside of the register and the certificate of title. Do these pieces of evidence disclose the presence of any claim or interest in the registered property of some person other than the current registered owner, or of any defect or restriction in the title of such registered owner or in the latter's capacity to convey title or interest to the

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[97] *Id.* at 665–668.

property? If there is intrinsic evidence pointing thereto, knowledge or awareness thereof on the part of a prospective party to a contract involving titled property is immaterial pursuant to the constructive notice rule. Regarding extrinsic evidence, there must be actual knowledge and/or the failure to observe the diligence required of a reasonably prudent person in ascertaining such evidence.

Likewise, the culpability or negligence, if any, of the original or predecessor registered owner of the property in the divesting of the latter's title or interest therein is to be determined. This determination is crucial in applying "the rule of law and justice . . . that as between two innocent persons, one of whom must suffer the consequences of a breach of trust, the one who made it possible by his [or her] act of confidence must bear the loss."[98]

This rule was applied in *Tenio-Obsequio v. Court of Appeals*[99] where the innocent purchaser for value prevailed over the registered owner, *viz.*:

> The Torrens Act, in order to prevent a forged transfer from being registered, erects a safeguard by requiring that no transfer shall be registered unless the owner's certificate of title is produced along with the instrument of transfer. However, an executed document of transfer of registered land placed by the registered owner thereof in the hands of another operates as a representation to a third party that the holder of the document of transfer is authorized to deal with the land. In the case at bar, it was even private respondents who made the allegation that they further delivered their certificate of title to Eduardo Deguro, allegedly to secure the loan extended to them. Consequently, petitioner cannot be faulted and, as a matter of fact, she is vested with the right to rely on the title of Eduardo Deguro.
>
> Furthermore, it was the very act of the respondent Alimpoos spouses in entrusting their certificate of title to Eduardo Deguro that made it possible for the commission of the alleged fraud, if indeed there was such a fraudulent conduct as imputed to the latter. Hence, the rule of law and justice that should apply in this case is that as between two innocent persons, one of whom must suffer the consequences of a breach of trust, the one who made it possible by his act of confidence must bear the loss.
>
> The right of the innocent purchaser for value must be respected and protected, even if the seller obtained his title through fraud. The remedy of the person prejudiced is to bring an action for damages against those who caused or employed the fraud, and if the latter are insolvent, an action against the Treasurer of the Philippines may be filed for recovery of damages against the Assurance Fund.[100] (Citations omitted)

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98 *Tenio-Obsequio v. Court of Appeals*, 300 Phil. 588, 601 (1994) [Per J. Regalado, Second Division]. (Citation omitted)

99 *Id.*

100 *Id.* at 601–602. It is noted, however, that Section 95 of PD 1529 provides in part: "SEC. 95. *Action for compensation from funds.* —A person who, **without negligence on his part**, sustains loss or damage, or is deprived of land or any estate or interest therein in consequence of the bringing of the land under the operation of the Torrens system of arising after original registration of land, through fraud." (Emphasis supplied)

In this factual determination, it must not be forgotten that the overarching consideration should be, borrowing the words of J. Barredo in *Republic* "to give every duly registered owner complete peace of mind as long as he [or she] has not voluntarily disposed of any right over the same in the manner allowed by law that he [or she] would be safe in his [or her] ownership and its consequent rights."[101] Along this line, it is reiterated that:

> as between a registered owner who is free from contributory neglect and a subsequent buyer who acquires a void title, the Torrens system's safeguarding purpose must operate to secure the ownership rights of the registered owner. To hold otherwise is to send the illogical message that a registered owner cannot afford to rest secured in his or her registered title since even without his or her neglect, fraudulent machinations that wrest his or her properties from him or her may nevertheless be legitimized by both the Torrens system of registration as well as the courts.[102]

Applying the above-formulated approach in the present case, petitioners are deemed to have constructive notice of the intrinsic information in the registrations concerning the defect or flaw in the title of Pinpin—the Affidavit of Loss which Narciso purportedly executed, the decision on the issuance of "another" duplicate owner's duplicate TCTs, the Affidavit of Loss of a certain Zenaida Ferreras, the almost simultaneous registrations of these three annotations, and the marked disparity in the purchase prices of the alleged sale by Spouses Ferreras to Pinpin and by Pinpin to petitioners.

With respect to extrinsic information, they have actual knowledge of the under declaration in the purchase price of the sale between Pinpin and petitioners and they should have at the very least inquired further from Pinpin as regards the suspicious circumstances surrounding the transaction between her and Spouses Ferreras and the annotations in the latter's TCTs.

With the intrinsic information that petitioners ought to have known, the actual extrinsic information that they obtained, and their failure to exercise the due diligence of a reasonably prudent person in ascertaining the status of the title of the subject properties, petitioners have not discharged their burden of proving that they are innocent purchasers for value by clear and convincing evidence.

On the part of Spouses Ferreras and their heirs, there appears no contributory negligence or fault on their part because the owner's duplicate TCTs remained, and still so remain, intact in their possession. Thus, the subject properties must be returned to them, the TCTs in the name of petitioners cancelled, and the Spouses Ferreras TCTs reinstated. Petitioners' only recourse is to proceed against Pinpin.

Further to the Court's earlier observations on the improper "laundering" of the Spouses Ferreras TCTs and Pinpin TCTs, with the annotations therein

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[101] J. Barredo, Concurring Opinion in *Republic v. Court of Appeals*, *supra* note 43, at 434.

[102] J. Caguioa, Concurring Opinion in *Duenas, et al. v. Metropolitan Bank and Trust Co., et al.*, *supra* note 67, at 14. This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website.

disappearing without the appropriate proceedings provided in PD 1529 and RA 26 being availed of, and based on the TCTs introduced as evidence in this case, the Court has observed that the Register of Deeds of Angeles City at the time the transactions involved in this case were purportedly registered was a certain Atty. Bayani A. Maniquis. The annotations, which later disappeared, bore the signature of Atty. Bayani A. Maniquis. Also, the TCTs of petitioners and Pinpin were issued under his signature.

Given his direct involvement in the dubious registrations surrounding this case and his profession as a lawyer, the Court, pursuant to Section 2,[103] Canon VI of the Code of Professional Responsibility and Accountability[104] (CPRA) directs the Integrated Bar of the Philippines to make the proper investigation, report, and recommendation regarding any violation of the CPRA or its precursor, the Code of Professional Responsibility,[105] which Atty. Bayani A. Maniquis might have committed.

ACCORDINGLY, the Petition is hereby **DENIED**. The Decision dated February 18, 2020 and Resolution dated October 15, 2020 of the Court of Appeals in CA-G.R. CV No. 110133 are **AFFIRMED**.

The Integrated Bar of the Philippines is **DIRECTED** to make the proper investigation, report, and recommendation regarding any violation of the Code of Professional Responsibility and Accountability or the Code of Professional Responsibility, which Atty. Bayani A. Maniquis might have committed under the premises. Let a copy of this Decision be furnished the Integrated Bar of the Philippines.

SO ORDERED.

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

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[103] SECTION 2. *How instituted.* — Proceedings for the disbarment, suspension, or discipline of lawyers may be commenced by the Supreme Court on its own initiative, or upon the filing of a verified complaint by the Board of Governors of the [Integrated Bar of the Philippines (IBP)], or by any person, before the Supreme Court or the IBP. However, a verified complaint against a government lawyer which seeks to discipline such lawyer as a member of the Bar shall only be filed in the Supreme Court.

A verified complaint filed with the Supreme Court may be referred to the IBP for investigation, report and recommendation, except when filed directly by the IBP, in which case, the verified complaint shall be referred to the Office of the Bar Confidant or such fact-finding body as may be designated.

Complaints for disbarment, suspension and discipline filed against incumbent Justices of the Court of Appeals, Sandiganbayan, Court of Tax Appeals and judges of lower courts, or against lawyers in the judicial service, whether they are charged singly or jointly with other respondents, and whether such complaint deals with acts unrelated to the discharge of their official functions, shall be forwarded by the IBP to the Supreme Court for appropriate disposition under Rule 140, as amended.

[104] A.M. No. 22-09-01-SC, April 11, 2023 [Notice, *En Banc*].

[105] Promulgated on June 21, 1988.

WE CONCUR:

See separate concurring opinion

HENRI JEAN PAUL B. INTING
Associate Justice

SAMUEL H. GAERLAN
Associate Justice

JAPAR B. DIMAAMPAO
Associate Justice

(On official business)
MARIA FILOMENA D. SINGH
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