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THIRD DIVISION

SUPREME COURT OF THE PHILIPPINES
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NOTICE

Sirs/Mesdames:

*Please take notice that the Court, Third Division, issued a Resolution dated **June 10, 2020**, which reads as follows:*

“G.R. No. 234498 (Stanfilco Employees Agrarian Reform Beneficiaries Multi-Purpose Cooperative [SEARBEMCO] v. Heirs of Flaviana N. Lomocso and Vicente Lomocso, namely: Veronica Lomocso Tumampos, et al.). –This Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court arose from a Complaint for Cancellation of Certificate of Title filed by petitioner Stanfilco Employees Agrarian Reform Beneficiaries Multi-Purpose Cooperative (Stanfilco) against the Heirs of Vicente and Flaviana Lomocso.

Facts of the Case

The disputed subject matter is a parcel of land with an area of 133,555 square meters located in Davao Del Norte. The property was previously covered by Transfer Certificate of Title (TCT) No. T-21530 registered in the names of Spouses Vicente and Flaviana Lomocso (Sps. Lomocso). Sps. Lomocso passed away in 1982 and in 1993, respectively. During the lifetime of the spouses, Vicente mortgaged the property to Development Bank of the Philippines (DBP). The mortgage was foreclosed and the property was purchased by DBP at a public auction.

Sps. Lomocso bore seven children, herein private respondents, namely, Veronica, Luz, Carlos, Elida, Maximo, Carmencita and Victor, all surnamed Lomocso.

Sometime in 1999, Stanfilco claims that all seven children of deceased Sps. Lomocso sold the property to Danilo Eusala (Eusala), Ubaldo Baduya (Baduya) and Jovencio Ariquez (Ariquez). It was agreed that payment for the purchase of the property was to be made in installments, and that upon completion of the full purchase price, the heirs will execute the proper documentation for the sale. The money earned from the sale was used by Victor, one of deceased Sps. Lomocso’s children, to redeem the property, as

¹ *Rollo*, pp. 13-25.

he possessed and cultivated the same. In 2000, Victor passed away.²

In 2001 and in view of the completion of payment for the subject property, the children of deceased Sps. Lomocso and the heirs of Victor executed in favor of Eusala, Baduya, and Ariquezan an Extrajudicial Settlement and Adjudication of Estate with Sale³ dated November 26, 2001 (2001 Extrajudicial Settlement with Sale). The property was sold amounting to ₱100,000.00. However, two of the seven children of deceased Sps. Lomocso, namely, Carmencita and Maximo, were not signatories to the 2001 Extrajudicial Settlement with Sale.⁴

On June 15, 2005, Eusala, Baduya and Ariquez sold the property to petitioner Stanfilco by virtue of a Deed of Absolute Sale executed by deceased Sps. Lomocso. Stanfilco purchased the property amounting to ₱1,875,000.00. Thereafter, on August 10, 2005, another Deed of Absolute Sale over the property was executed, this time, by Eusala, Baduya, and Ariquez in favor of Stanfilco. The owner's duplicate of TCT No. T-21530 was given to Stanfilco.⁵

On September 15, 2009, one of the children of deceased Sps. Lomocso, Elida, executed an affidavit of loss for TCT No. T-21530 despite the fact that said TCT is in the possession of Stanfilco. Elida then filed a petition for issuance of a new duplicate owner's copy of the TCT, which was granted. As a result, TCT No. T-21530 was cancelled and TCT No. 142-T-21530 was issued.⁶ Annotated on the new TCT as Entry No. 1690419 was an Extrajudicial Settlement⁷ dated August 18, 2009 (2009 Extrajudicial Settlement) also executed by the heirs of deceased Sps. Lomocso, except for the heirs of Victor. Stanfilco claims that the heirs of deceased Sps. Lomocso commissioned a subdivision survey of the property and allocated portions therein for which corresponding certificates of title were issued to the heirs of deceased Sps. Lomocso, except for the heirs of Victor. For this reason, Stanfilco filed the complaint to have the new TCT's delivered to it and for the issuance a new TCT in its name. Stanfilco also filed a criminal complaint for perjury against Elida because she made false statements on the loss of TCT No. T-21530 in her petition for issuance of a new duplicate owner's copy of TCT No. T-21530, when in truth, said TCT was in the possession of Stanfilco.

All the heirs of deceased Sps. Lomocso deny executing the 2001 Extrajudicial Settlement with Sale in favor of Eusala, Baduya, and Ariquez. They maintain that there is no valid conveyance of the property to the latter because there is no such sale. Private respondents Carmencita, Maximo, and the heirs of Victor, however, claim that in 2000, Victor obtained possession over TCT No. T-21530 and used it as security for a personal loan from Eusala,

² Id. at 16.

³ Id. at 77-78.

⁴ Id. at 16.

⁵ Id. at 16-17.

⁶ Id. at 31.

⁷ Id. at 79-80.

Baduya, and Ariquez amounting to ₱100,000.00. This money was used to pay for Victor's medical bills. Respondents Carmencita, Maximo, and the heirs of Victor, also argue that even if the 2001 Extrajudicial Settlement with Sale exists, the same should be considered an equitable mortgage because the price for the subject property is grossly inadequate.⁸

Respondents Luz, Carlos, and Elida, on the other hand, deny that they received money from Eusala, Baduya, and Ariquez to redeem the property from DBP. It is the stand of Luz, Carlos, and Elida that they were able to redeem the property on November 29, 1999 by pooling their money together and the TCT was placed in the custody Elida. Luz, Carlos, and Elida do not deny that the property was administered by Victor. It was in August 2009 that the heirs decided to terminate their co-ownership of the land and executed the 2009 Extrajudicial Settlement of Estate, where they partitioned the property amongst themselves. Elida, who lost the TCT, then filed a petition for the issuance of a new duplicate owner's copy of the TCT. As a result, TCT No. 142-T-21530 was issued. Thereafter, seven other titles were issued when the subject property was partitioned.⁹

In a Decision¹⁰ dated February 2, 2015, the Regional Trial Court (RTC) of Tagum, Davao del Norte, Branch 2 dismissed Stanfilco's complaint. The RTC observed that Stanfilco's claim over the property are based on three documents: (1) the 2001 Extrajudicial Settlement with Sale in favor of Eusala, Baduya, and Ariquez; (2) the Deed of Absolute Sale executed by deceased Sps. Lomocso on June 15, 2005 in favor of Stanfilco; and (3) the Deed of Absolute Sale executed by Eusala, Baduya, and Ariquez on August 10, 2015 in favor of Stanfilco.

With respect to the 2001 Extrajudicial Settlement with Sale, the RTC found it dubious because the heirs denied executing the same. Doubt as to its authenticity was supported by a certification issued by the National Archives of the Philippines, stating that no such document exists in its file. The RTC found it baffling why the 2001 Extrajudicial Settlement with Sale was signed two years after the fact of redemption of the property on November 29, 1999. As to the 2005 Deed of Absolute Sale executed by deceased spouses, the RTC also found the same doubtful. The RTC held that Sps. Lomocso could not have executed the same because they already passed away 19 years and 8 years, respectively, from execution of the contract on 15 June 2005. Finally, the RTC did not uphold the validity of the Deed of Absolute Sale dated August 10, 2005 executed by Eusala, Baduya, and Ariquez in favor of Stanfilco. The contract failed to indicate how much the property was sold to Stanfilco. Stanfilco also failed to establish the valid transfer of ownership over the property to Eusala, Baduya, and Ariquez because the TCT was not issued in the latter's names. "The fact that the title was still in the name of the late spouses when it was sold to Stanfilco, should have raised material questions

⁸ Id. at 32-33.

⁹ Id. at 37-39.

¹⁰ Id. at 40-41.

on the mind of the cooperatives [petitioner's] representatives.”¹¹ Stanfilco did not even present proof that the original TCT covering the disputed property was in the custody of a court in another case, as it had claimed.

Unsatisfied with the foregoing decision, Stanfilco filed an appeal with the Court of Appeals (CA). In a Decision¹² dated May 12, 2017, the CA explained that the certification issued by National Archives of the Philippines should be taken with a grain of salt because it is not conclusive as to the existence or inexistence of the 2001 Extrajudicial Settlement with Sale. However, the CA still did not uphold the validity of the 2001 Extrajudicial Settlement with Sale because of the heirs' defense that they did not execute said document. A close scrutiny of the heirs' signatures on the 2001 Extrajudicial Settlement with Sale are different from the signatures on the 2009 Extrajudicial Settlement. The 2001 Extrajudicial Settlement with Sale was un-notarized because the notary public was not even commissioned in 2001. Based on a certification issued by the RTC, the notary public was commissioned only in 2004. For this reason, the contract cannot be a public document and due execution of the same must still be established. Stanfilco failed to prove this and only relied on the presumption of regularity “without even giving the least effort to support” their claim.¹³

The CA, likewise, held that the Deed of Absolute Sale dated August 10, 2005 executed by Eusala, Baduya, and Ariquez in favor of Stanfilco is suspicious due to impropriety in the notarization. Said deed appended the 2001 Extrajudicial Settlement with Sale. The CA found that the 2001 Extrajudicial Settlement with Sale, supposedly notarized in 2001, is actually recorded in the notarial books for 2004.¹⁴ Furthermore, the notary public to the Deed of Absolute Sale dated August 10, 2005 is the same person who notarized the Deed of Absolute Sale dated June 15, 2005 purportedly executed by the long deceased Sps. Lomosco. The CA held that “one has to be wary of the reliability of the documents proffered” as it was made to appear in the Deed that the late spouses were still alive.¹⁵ The foregoing incidents “bolsters the uncertainty on the truthfulness” of the documents.

Finally, the CA found that Stanfilco is not a buyer in good faith. Not having dealt with the registered owners of the land, Stanfilco must show that it exercised due diligence to inquire whether Eusala, Baduya and Ariquez were indeed authorized to sell the subject property. Stanfilco cannot claim that they were unaware that the registered owners were deceased. The fact that an Extrajudicial Settlement and Adjudication of Estate with Sale was executed should have already put them to notice of the demise of the registered owners. This fact should have compelled Stanfilco to verify further if the land was

¹¹ Id.
¹² Id. at 29-55.
¹³ Id. at 45-50.
¹⁴ Id. at 46.
¹⁵ Id. at 48.

indeed already owned by Eusala, Baduya, and Ariquez or respondents.¹⁶

Stanfilco files the instant Petition for Review on *Certiorari*.¹⁷ The cooperative claims that it is a buyer in good faith. There was no notice that some other persons have a right to or interest to the subject property when Stanfilco purchased the same from Eusala, Baduya, and Ariquez. Stanfilco has a well-founded belief that Eusala, Baduya, and Ariquez had title to the property and had the capacity to convey it. In fact, Eusala had in his possession the original copy of the TCT, an original duplicate of the deed of redemption, and the 2001 Extrajudicial Settlement with Sale. Stanfilco visited the property and was informed by the community that Eusala was the owner and possessor of the same for four years. None of the respondents were present when Stanfilco purchased the property. Therefore, they should be allowed to retain the parcel of land because their title over the land is valid.¹⁸ The CA cannot conclude that the 2001 Extrajudicial Settlement with Sale is totally forged considering that not all the heirs deny the authenticity of their signatures.

Respondents, in their Comment,¹⁹ reiterate the finding of the CA that Stanfilco is not an innocent purchaser for value. Stanfilco must have duly proven that it went beyond the TCT to ascertain if Eusalan, Baduya, and Ariquez are the owners or are authorized to sell the property because the latter are not the registered owners of the property. Respondents emphasize that there were numerous incidents that could have caused Stanfilco to suspect Eusalan, Baduya, and Ariquez's authority to sell, more so, ownership over the property.

The Court's Ruling

Section 55²⁰ of the Land Registration Act protects the rights of an innocent purchaser for value because 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 from said certificate of title.²¹ In order for the claim of being an innocent purchaser for value to prosper, "there must be a complete chain of registered titles. This means that all the transfers starting from the

¹⁶ Id. at 51-54.

¹⁷ Id. at 13-25.

¹⁸ Id. at 20-22.

¹⁹ Id. at 89-91.

²⁰ 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: **Provided, however, That 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:** And provided further, That after the transcription of the decree of registration on the original application, any subsequent registration under this Act procured by the presentation of a forged duplicate certificate, or of a forged deed or other instrument, shall be null and void. In case of the loss or theft of an owner's duplicate certificate, notice shall be sent by the owner or by someone in his behalf to the register of deeds of the province in which the land lies as soon as the loss or theft is discovered.

²¹ *Peralta v. Heirs of Bernardina Abalon*, 737 Phil. 310, 325 (2014).

original rightful owner to the innocent holder for value – and that includes the transfer to the forger – must be duly registered, and the title must be properly issued to the transferee.”²²

Here, there is no chain of registered titles. It is clear from the facts that Stanfilco purchased a parcel of land, which was still registered in the names of the original owners, the deceased Sps. Lomocso. Thus, not having dealt with the registered owners of the land, Stanfilco cannot simply rely on the certificate of title. The cooperative must show that it exercised due diligence whether Eusala, Baduya, and Ariquez were indeed the owners and were authorized to sell the property.

Although Stanfilco conducted an ocular inspection of the property, surrounding facts on its sale impel a reasonably cautious man to conduct further inquiry on the title of the vendor. If the 2001 Extrajudicial Settlement with Sale was executed in favor of Eusala, Baduya, and Ariquez, then it would not be necessary for Eusala to still present a Special Power of Attorney (SPA) and Deed of Absolute Sale purportedly executed by the owner spouses. The 2001 Extrajudicial Settlement with Sale, in itself, notifies Stanfilco that the spouses have passed away and can deal directly with Eusala, Baduya, and Ariquez, yet, the officers of the cooperative still signed the Deed of Absolute Sale dated June 15, 2005 executed by the deceased Sps. Lomocso.²³ Stanfilco claims that they were assisted by counsel throughout the negotiations,²⁴ but they did not even question why they never met with the spouses or any of the heirs. While another Deed of Absolute Sale was executed by Eusala, Baduya, and Ariquez in favor of Stanfilco, such fact does not change the cooperative’s knowledge that Sps. Lomocso have passed away. In addition, Stanfilco admits in their petition²⁵ that the SPA and a Deed of Absolute Sale executed by the deceased Sps. Lomocso was for the sellers, Eusala, Baduya, and Ariquez, to avoid expenses in the transfer of registration of ownership of the property. The foregoing facts and circumstances are sufficient to induce a reasonably prudent man to inquire into the status of the title of the disputed property. Stanfilco’s Chairman even admits that he checked with the register of deeds if the title was clean, but no longer inquired if there were other people interested in the property.²⁶ Thus, We do not find Stanfilco to be an innocent purchaser for value.

Nevertheless, Stanfilco still has a valid claim over **a portion** of the property. From the facts, Victor, one of the heirs of Sps. Lomocso and co-owner over the Lomocso estate, sold his portion to Eusala, Baduya, and Ariquez, for a consideration amounting to ₱100,000.00 to pay for his (Victor) medical bills. To Our mind, it was by virtue of this transaction that Eusala, Baduyam, and Ariquez obtained the owner’s duplicate certificate of title over

²² Id.

²³ *Rollo*, pp. 34-35.

²⁴ Id. at 34.

²⁵ Id. at 23.

²⁶ Id. at 34.

the property, which was later turned over to petitioner Stanfilco. Victor, or in this case, his heirs, have full ownership of their portion in the co-ownership and therefore can alienate the same.²⁷ Records show that the heirs of Victor signed the 2001 Extrajudicial Settlement with Sale over the subject property in favor of Eusala, Baduya and Ariquez.²⁸ Furthermore, if it were true that Victor or his heirs did not make a sale to Eusala, Baduya, and Ariquez, then the former would have logically been included in the adjudication of the Lomocso Estate as co-heir/s. However, the signatures of the heirs of Victor do not appear on the 2009 Extrajudicial Settlement of Estate, neither were they adjudicated any portion thereof.²⁹ These instances only confirm that Victor sold his portion in the Lomocso estate. Respondents even admit that Victor administered the property,³⁰ which, as discussed, is the reason Eusala, Baduya, and Ariquez acquired possession of the TCT to the property and later sold to Stanfilco.

WHEREFORE, premises considered, the Decision dated May 12, 2017 of the Court of Appeals in CA-G.R. CV No. 03938-MIN is hereby **AFFIRMED with MODIFICATION** in that the corresponding portion of Victor Lomocso, as co-owner/ co-heir, in the property previously covered by TCT No. T- 21530 be reconveyed to petitioner Stanfilco Employees Agrarian Reform Beneficiaries Multi-Purpose Cooperative.

SO ORDERED.”

Very truly yours,

Misael DC Batt
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Division Clerk of Court
GER
10/30/20

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²⁷ CIVIL CODE OF THE PHILIPPINES, Art. 131.
²⁸ *Rollo*, pp. 77-78.
²⁹ *Id.* at 79-86.
³⁰ *Id.* at 37.

