



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, First Division, issued a Resolution dated February 10, 2021 which reads as follows:

“G.R. No. 201539 – (TEOFILO M. HIPOLITO, *petitioner* v. VICENTE C. PONCE, substituted by his surviving heirs represented by VENANCIO G. PONCE, *respondent*). – This resolves the Petition for Review on *Certiorari*¹ filed by Teofilo M. Hipolito (Teofilo), praying for the reversal of the October 3, 2011 Decision² and April 17, 2012 Resolution³ of the Court of Appeals (CA) in CA-G.R. CV No. 91775. The CA reversed the June 11, 2008 Decision⁴ of the Regional Trial Court of Agoo, La Union, Branch 31 (RTC), which dismissed the Complaint for Annulment of Sale and Title with Damages filed by respondent Vicente Ponce (Vicente).

Antecedents

Respondent Vicente is the registered owner of a parcel of land measuring 4,245 square meters located at Sto. Tomas, La Union and covered by Transfer Certificate of Title (TCT) No. T-4188 issued in his name on May 6, 1960 by the Register of Deeds of the Province of La Union (Subject Property).⁵

Allegedly, on April 22, 1968, the subject property was sold to Gregorio Morta (Gregorio) through a Deed of Sale executed by Vicente in favor of the latter.⁶

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¹ *Rollo*, pp. 9-53.

² *Id.* at 63-80; penned by Associate Justice Socorro B. Inting, with Associate Justices Magdangal M. De Leon and Mario V. Lopez (now a Member of this Court), concurring.

³ *Id.* at 82-83.

⁴ *Id.* at 118-161; rendered by Executive Judge Clifton U. Ganay.

⁵ *Id.* at 64.

⁶ *Id.*

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Thereafter, on April 26, 1975, Gregorio sold the subject property to his sons Edgardo Morta (Edgardo) and Arthur Morta (Arthur) through a duly notarized Deed of Absolute Sale.

Meanwhile, on July 23, 1992, Edgardo filed a Petition for Issuance of Another Duplicate Owner's Copy of TCT No. T-4188. He alleged that he owns the subject property, which was bequeathed to him by his parents. He further claimed that his parents kept the Title in the closet, which could no longer be found.⁷

On August 14, 1992, Edgardo's petition was granted. Accordingly, he was issued a second owner's duplicate copy of TCT No. T-4188.⁸

Then, on October 8, 1992, Edgardo and Arthur caused the registration of the 1968 Deed of Sale allegedly executed by Vicente to their father. As a result, TCT No. T-4188 was cancelled, and a new one, TCT No. T-36126 was issued in Gregorio's name. On even date, Edgardo and Arthur likewise registered the 1975 Deed of Sale executed by Gregorio in their favor. Hence, TCT No. T-36126 was cancelled, and TCT No. T-36127 was issued in their names.⁹

Subsequently, on February 24, 2000, Edgardo and Arthur sold the subject property to Teofilo. Consequently, on March 1, 2000, TCT No. T-36127 was cancelled and TCT No. T-52963 was issued in favor of Teofilo.¹⁰

Meanwhile, sometime in 2000, while Vicente was about to pay the real property tax due on his property, he discovered that his title had been transferred by means of a forged deed of sale.¹¹ Dismayed by the events that transpired, on April 8, 2005, Vicente filed with the RTC a Complaint for Annulment of Sale and Title with Damages, with a prayer for the reinstatement of TCT No. T-4188. He alleged that the Deed of Sale in favor of Gregorio was forged and hence, cannot serve as the root of a valid title.¹² He further averred that he had always been in possession of the owner's duplicate copy of TCT No. T-4188 from the time it was issued by the Register of Deeds on May 6, 1960 up to present. Likewise, he stated that he had been paying real property taxes due on the subject property. Finally, he claimed damages under the Assurance Fund.¹³

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⁷ Id.
⁸ Id.
⁹ Id. at 64-65.
¹⁰ Id. at 65.
¹¹ Id. at 229.
¹² Id. at 65.
¹³ Id. at 65-66.

Ruling of the RTC

On June 11, 2008, the RTC rendered a Decision¹⁴ dismissing Vicente's Complaint. The RTC traced back the root of the title, and opined that Edgardo and Arthur are not innocent purchasers for value, as a transaction between a father and his sons is not considered innocent.¹⁵ However, it held that Teofilo was an innocent purchaser for value, and is thus protected by the law and the Torrens system.¹⁶ It further propounded that to a certain extent, Vicente was to blame, as he never possessed the subject property for more than thirty years.¹⁷ It noted that Vicente never occupied the subject property since he obtained his title in 1960. All he did was declare the land for tax purposes.¹⁸

Furthermore, the RTC denied Vicente's claim for damages under the Assurance Fund due to the latter's failure to articulate the damages he suffered.¹⁹ It ratiocinated that Vicente is not fully innocent of laches or free from negligence for the loss of his property.²⁰ It posited that Vicente merely purchased the property, but was never interested in it.²¹

The RTC disposed of the case as follows:

WHEREFORE, upon the foregoing, the case for annulment of sale and title is DISMISSED.

The motion of Atty. Olarte to dismiss the case is granted. It should be noted that plaintiff Vicente Ponce only prayed for the cancellation and annulment of TCT No. T-52963 in the name of Teofilo Hipolito covering the subject property. And consequently prayed for the restoration of his title TCT No. T-4188.

For being an innocent purchaser for value and in addition, on ground of laches, the Complaint is DISMISSED.

SO ORDERED.²²

Dissatisfied with the ruling, Vicente filed an appeal with the CA.

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¹⁴ Id. at 118-161.

¹⁵ Id. at 159.

¹⁶ Id. at 158; 160.

¹⁷ Id. at 158.

¹⁸ Id. at 129.

¹⁹ Id. at 160.

²⁰ Id. at 159.

²¹ Id. at 160.

²² Id. at 161.

Ruling of the CA

In a Decision²³ dated October 3, 2011, the CA reversed the RTC's pronouncement. It declared that Teofilo is not an innocent purchaser for value.²⁴ The CA explained that a simple perusal of the entries annotated at the back of TCT No. T-36127 would have easily alerted Teofilo about the suspicious circumstances surrounding the Title and the subject property. The Deeds of Sales were registered late. Likewise, the Titles and the Deeds of Sale were registered in one single day.²⁵ However, despite these obvious flaws, Teofilo still proceeded with the sale and without proof that he made inquiries on the circumstances surrounding the land.²⁶ Hence, the CA held that the defense of indefeasibility of Torrens Title does not apply to Teofilo.²⁷ It stressed that the principle of indefeasibility of Torrens Title does not apply where fraud attended the issuance of the title. As such, a title which is based on void documents may be annulled.²⁸

Moreover, the CA opined that Edgardo filed the petition for reconstitution primarily to secure a second owner's duplicate copy of TCT No. T-4188. This fraudulent scheme allowed him and Arthur to register the forged Deeds of Sale, and ultimately, obtain new certificates of title.²⁹ The reconstituted title which is the second owner's duplicate copy of TCT No. T-4188 is void *ab initio* for having been obtained through fraud and deceit.³⁰

Likewise, the CA underscored that no one can give what one does not have.³¹ Since the 1968 deed of sale is a simulated document, Gregorio acquired no right over the subject property which he could convey to his sons.³² Thus, all transactions subsequent to the fabricated sale are void, including that which took place between Teofilo and Edgardo and Arthur.³³ Hence, Vicente's title prevails over Teofilo's.³⁴

Furthermore, the CA clarified that Vicente is not guilty of laches and negligence.³⁵ Laches does not run against a registered

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²³ Id. at 63-80.

²⁴ Id. at 68.

²⁵ Id. at 70.

²⁶ Id. at 71.

²⁷ Id.

²⁸ Id. at 73.

²⁹ Id. at 72.

³⁰ Id.

³¹ Id. at 73.

³² Id.

³³ Id. at 74.

³⁴ Id.

³⁵ Id. at 75.

owner.³⁶ Neither may the property have been acquired by the Morta family through prescription as prescription does not lie against registered property.³⁷

Finally, the CA held that Vicente is not entitled to damages from the Assurance Fund considering that he did not lose his property.³⁸

The decretal portion of the CA Decision states:

WHEREFORE, premises considered, the appeal is GRANTED. The Regional Trial Court's Order dated June 11, 2008 is hereby REVERSED AND SET ASIDE, and a new one is rendered declaring the 1968 and 1975 deeds of sale void, ordering the annulment of TCT No. T-52963 and further ordering the reinstatement of TCT No. T-4188. Costs against defendants-appellees.

SO ORDERED.³⁹

Aggrieved, Teofilo filed a Motion for Reconsideration,⁴⁰ which was denied in the April 17, 2012 CA Resolution.⁴¹

On January 3, 2017, Vicente passed away. He is substituted by his surviving heirs, as represented by Venancio G. Ponce.⁴² The Court noted the motion for substitution of heirs in its Resolution⁴³ dated January 16, 2019.

Issue

The pivotal issue in the instant case is whether or not Teofilo is an innocent purchaser for value.

Teofilo claims that the CA erred in annulling TCT No. T-52963 in his name. He maintains that he holds an indefeasible title over the subject property, which he acquired through sale on February 24, 2000. The deed of sale between him and Edgardo and Arthur was never cancelled, and its genuineness and due execution were never

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³⁶ Id. at 77.

³⁷ Id. at 78.

³⁸ Id. at 79.

³⁹ Id.

⁴⁰ Id. at 84-116.

⁴¹ Id. at 82-83.

⁴² Id. at 334-339.

⁴³ Id. at 341.

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impugned.⁴⁴ Likewise, he states that he had been actually, physical, openly, continuously and exclusively occupying the subject property since March 2000 up to the filing of the complaint in April 2005.⁴⁵ He states that he purchased the land, declared it for tax purposes, and surveyed and relocated the area.⁴⁶

Teofilo argues that Vicente never asked for the cancellation of TCT No. T-36127 in the name of the former's vendors.⁴⁷ Said title was clean and bore no annotation of any claim, lien or encumbrance.⁴⁸ He relied on the clean title of his vendors and bought the subject property without notice that some other person has a right or interest therein, and paid the full and fair price thereof. He further contends that his vendors have been in actual, open, continuous and exclusive possession and full dominion of the subject property since 1975.⁴⁹

Teofilo asserts that Vicente is barred by laches from seeking the annulment of the sale and title over the land.⁵⁰ Vicente was never interested in the subject property, or occupied it.⁵¹

Finally, Teofilo laments that he would stand to suffer irreparable damage if he would be deprived of the land.⁵² He admits that prescription is unavailing since the lot is titled and registered, but posits that Vicente's long inaction and delay in asserting his right to the property, bars him from recovering the same.⁵³

On the other hand, Vicente counters that the owner's original title has always been in his possession from the time it was issued to him in 1960. He maintains that he never lost his certificate of title. Neither did he ever sell his land to Gregorio.⁵⁴ Vicente urges that Teofilo's title was derived from a forged deed of sale.⁵⁵ He never appeared before the notary public who allegedly notarized the 1968 Deed of Sale.⁵⁶ The signatures appearing in the purported Deed of Sale are completely different from his and his wife's true signature.⁵⁷

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⁴⁴ Id. at 26.

⁴⁵ Id. at 24-25.

⁴⁶ Id. at 25.

⁴⁷ Id. at 26.

⁴⁸ Id.

⁴⁹ Id. at 29-30.

⁵⁰ Id. at 36.

⁵¹ Id. at 36-37.

⁵² Id. at 39.

⁵³ Id. at 40.

⁵⁴ Id. at 222-223.

⁵⁵ Id. at 225.

⁵⁶ Id.

⁵⁷ Id. at 226.

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He argues that the rule according validity to titles issued under the Torrens system does not apply if the certificate of title is faulty as to its purported origin.⁵⁸

Moreover, Vicente retorts that Teofilo is not a purchaser in good faith. Teofilo had factual knowledge about the history of the ownership of the land, since he was an adjacent owner. Despite this, he failed to inquire about the status of the title.⁵⁹ He should have doubted the validity of the title considering that the series of transfers from Vicente to Gregorio, and from Gregorio to his children Edgardo and Arthur were only annotated at the back of the title on October 8, 1992, the same day when TCT No. T-36127 of Edgardo and Arthur was released.⁶⁰ The belated registration of the Deeds of Sale should have put Teofilo on inquiry.⁶¹ He would have then discovered that the reason for the long delay in registering the sales was because Edgardo and Arthur did not have the owner's duplicate copy of TCT No. T-4188.⁶²

Furthermore, Vicente ripostes that he is not guilty of laches or negligence.⁶³ He had no knowledge of the transfer of his title over the subject property to the Mortas.⁶⁴ He had kept his title safely in his vault for many years.⁶⁵ He only discovered the problem after he sent his representative to pay taxes in 2000.⁶⁶ This was the first time he was informed that his title had been cancelled.⁶⁷ After which, he acted on his rights and instituted the annulment case.⁶⁸

In addition, Vicente claims that he is entitled to damages from the Assurance Fund.⁶⁹ He was divested of his property without fault or negligence on his part.⁷⁰ He further asserts that he is entitled to moral damages due to the unlawful transfer of his title.⁷¹ Lastly, he requests attorney's fees since he was compelled to litigate to protect his interest.⁷²

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⁵⁸ Id.
⁵⁹ Id. at 227.
⁶⁰ Id.
⁶¹ Id.
⁶² Id.
⁶³ Id. at 228.
⁶⁴ Id.
⁶⁵ Id.
⁶⁶ Id. at 229.
⁶⁷ Id.
⁶⁸ Id.
⁶⁹ Id. at 231.
⁷⁰ Id.
⁷¹ Id. at 232.
⁷² Id.

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Ruling of the Court

The petition is denied.

Teofilo is not an innocent purchaser for value

Historically, the Torrens system was instituted to combat the problems of uncertainty, complexity and costs associated with the old title systems that heavily relied on proof of an unbroken chain of title traced from the original root. To eradicate this unreliable and tedious method, the State now issues an official certificate of title to attest to the fact that the person named therein is the owner of the property described, subject to the liens and encumbrances noted, or matters that the law warrants or reserves. Moreover, the State keeps a comprehensive register of landholdings that guarantees indefeasible title to those included therein.⁷³

Verily, an important consequence of the Torrens system is to grant the registered owner complete peace of mind and security of ownership.⁷⁴ In the same vein, the Torrens system dispenses with the arduous task of proving ownership through long complicated documents, and assures that all the necessary information regarding ownership is on the certificate of title. Hence, its avowed objective 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.⁷⁵

Accordingly, every person dealing with registered land may safely rely on the correctness of the certificate of title and shall not be obliged to go beyond it to determine the condition of the property.⁷⁶ However, this privilege is strictly subject to the rule that the party should have no actual knowledge of facts and circumstances that would impel a reasonably cautious person to make an inquiry. The presence of anything which arouses suspicion should prompt the transferee to look beyond the certificate and investigate the title of the transferor. One who falls within the exception may not claim to be an innocent purchaser for value nor a purchaser in good faith and, hence, will not be entitled to the protection of the law.⁷⁷

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⁷³ *Sps. Cusi v. Domingo*, 705 Phil. 255, 257 (2013).

⁷⁴ *Id.* at 267, citing *Republic v. Court of Appeals*, 183 Phil. 426, 434 (1979).

⁷⁵ *Id.*

⁷⁶ *Locsin v. Hizon, et al.*, 743 Phil. 420, 429-430 (2014), citing *Ruflo, et al. v. Burgos, et al.*, 597 Phil. 261, 270-271 (2009).

⁷⁷ *Id.*, citing *Sandoval v. CA*, 329 Phil. 48, 60 (1996).

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In relation, a forged or defective title may serve as the root of a valid and legal title if it falls into the hands of an innocent purchaser for value. Notably, “an innocent purchaser for value is one who buys the property of another without notice that some other person has a right to or interest in it, and who pays a full and fair price at the time of the purchase or before receiving any notice of another person’s claim.”⁷⁸ To be considered innocent, the vendee must have relied in good faith on the correctness of the certificate of title.⁷⁹ In turn, good faith implies freedom from knowledge of circumstances that ought to put a prudent person on inquiry and consists in the belief that the vendor is the rightful owner who could convey title.⁸⁰ Equally important, one who asserts the status of a purchaser in good faith bears the burden of proving such claim.⁸¹ This *onus probandi* cannot be discharged by mere invocation of the legal presumption of good faith.⁸²

Significantly, in a long line of cases, the Court strictly declared that it shall not ascribe good faith to those who have not shown any diligence in protecting their rights.⁸³ It further underscored that the defense of indefeasibility of a Torrens title shall not extend to a transferee who has notice of a flaw in the transferor’s title.⁸⁴ Likewise, a holder in bad faith of a certificate of title will not be protected, since the law may not be used as a shield for fraud.⁸⁵

It is interesting to note that in the case at bar, both the trial court and the CA agreed that the seller’s title stemmed from a forged deed. However, the tribunals differed in holding whether this forged root was cleansed when it passed through the hands of Teofilo, who claimed to be an innocent purchaser for value. To resolve this crucial issue, the Court takes note of the following circumstances which are borne in the records of the case:

A spurious and forged Deed of Sale dated April 22, 1968 emerged, purportedly showing that Vicente conveyed the subject

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⁷⁸ Id., citing *Ruflo et al. v. Burgos, et al.*, supra at 270.

⁷⁹ Id., citing *PNB v. Heirs of Militar*, 526 Phil. 788, 794 (2006).

⁸⁰ *Spouses Domingo v. Reed*, 513 Phil. 339, 353 (2005), citing *Duran v. Intermediate Appellate Court*, 223 Phil. 88, 93 (1985).

⁸¹ *Potenciano v. Reynoso*, 449 Phil. 396, 409 (2003), citing *Sps. Uy v. Court of Appeals*, 411 Phil. 788, 800-801 (2001); *Republic v. De Guzman*, 383 Phil. 151, 162 (2000).

⁸² *Heirs of Paz Macalalad v. Rural Bank of Pola, Inc. and Register of Deeds of Oriental Mindoro*, G.R. No. 200899, June 20, 2018, citing *Tolentino, et al. v. Spouses Latagan, et al.*, 761 Phil. 108, 134 (2015)

⁸³ *Ruflo, et al v. Burgos, et al.*, supra note 76 at 272-273; *Mahilum v. Sps. Ilano*, 761 Phil. 334, 352 (2015); *Sps. Vallido v. Sps. Pono, et al.*, 709 Phil. 371, 379 (2013).

⁸⁴ Id. at 271-272.

⁸⁵ Id. at 273, citing *Samonte v. Court of Appeals*, 413 Phil. 487, 497 (2001).

property to Gregorio. The signatures of Vicente and his wife as appearing in the 1968 Deed of Sale are completely different from their specimen signatures.⁸⁶ Thereafter, another Deed of Sale dated April 22, 1975 was issued allegedly transferring the subject property from Gregorio to his sons Edgardo and Arthur. From this point, nothing is said about the Deeds of Sale, their registration or the issuance of new titles out of such conveyances.

Suddenly, on January 23, 1992, Edgardo filed a petition for reconstitution of Vicente's title (TCT No. T-4188). No notice was sent to the registered owner Vicente.⁸⁷ Edgardo claimed that the title was stored in his parent's closet, but could no longer be found. Likewise, he asserted that the property was bequeathed to him by his parents, contrary to his other assertion that it was sold to him.⁸⁸ The reconstitution was granted and gave birth to the second owner's duplicate copy of TCT No. T-4188. From here, questionable proceedings followed.

On October 8, 1992, Edgardo caused the registration of the 1968 and 1975 Deeds of Sale. Then, on even date, he caused the cancellation of the titles and the issuance of new ones, until he was able to obtain TCT No. T-36127. All these events transpired against the clear evidence that Vicente has always been in possession of the original owner's copy of TCT No. T-4188 since 1960.

As earlier mentioned, both the RTC and the CA saw through the fraudulent scheme perpetrated by Edgardo and Arthur. However, the RTC held that Teofilo's title is not affected as he is an innocent purchaser for value. However, the CA disagreed and stated that Teofilo was a purchaser in bad faith, as he had notice of a defect in Edgardo's and Arthur's title.

The Court agrees with the CA that Teofilo is not an innocent purchaser for value. There were glaring and conspicuous defects in the title that should have prompted him to make further inquiries.

To begin with, a perusal of TCT No. T-36127 shows Entry No. 3612, which warns that the original title was merely administratively reconstituted.⁸⁹ As cautioned in *Sps. Cusi v. Domingo*⁹⁰ and *Garcia v.*

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⁸⁶ *Rollo*, p. 226.

⁸⁷ *Id.* at 221.

⁸⁸ *Id.* at 74.

⁸⁹ *Id.* at 185-186.

⁹⁰ *Supra* note 73.

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Court of Appeals,⁹¹ a second owner's duplicate, which is a reconstituted title should alert a buyer or mortgagee to conduct further investigation on the property. Their failure to do so, shall bar them from claiming good faith.

Likewise, a similar pronouncement was rendered in *Barstowe Philippines Corporation v. Republic*,⁹² where the Court stressed that an administratively reconstituted title should serve as a warning to conduct further inquiries:

x x x Under section 7 of Republic Act No. 26, "Reconstituted titles shall have the same validity and legal effect as the originals thereof" unless the reconstitution was made extrajudicially. In this case, TCTs No. 200629 and 200630 were reconstituted administratively, hence, extrajudicially. In contrast to the judicial reconstitution of a lost certificate of title which is *in rem*, the administrative reconstitution is essentially *ex-parte* and without notice. The reconstituted certificates of title do not share the same indefeasible character of the original certificates of title for the following reason –

x x x The nature of a reconstituted Transfer Certificate Of 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. x x x.

The fact that the TCTs were reconstituted should have alerted BPC and its officers to conduct an inquiry or investigation as might be necessary to acquaint themselves with the defects in the titles of Servando.⁹³ (Citations omitted)

In addition, the Declaration of Real Property⁹⁴ and the predecessor title, TCT No. T-36126⁹⁵ (documents submitted by

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⁹¹ 279 Phil. 242 (1991).

⁹² 548 Phil. 86 (2007).

⁹³ Id. at 123-124.

⁹⁴ *Rollo*, p. 186.

⁹⁵ Id. at 189-190.

Teofilo himself) show that the Deeds of Sale were registered very late and on the same day. The 1968 and 1975 Deeds of Sales were registered after 24 years, and 17 years, respectively on October 8, 1992. Furthermore, the titles were cancelled and issued on the same day, also on October 8, 1992. These hurried and dubious transactions should have stirred doubts on the genuineness of TCT No. T-36127. Strangely, despite the obvious flaws, Teofilo still proceeded with the sale without probing further. A simple inquiry at the Register of Deeds would have led him to discover that the real property taxes on the subject property were paid for several years by Vicente, the registered owner thereof.⁹⁶ In fact, Vicente has been paying the realty taxes even until 2000, the year when Teofilo purchased the subject property.⁹⁷ Although there is no law that demands the immediate registration of deeds of conveyance, the belated registration which transpired after more than a decade, and the seller's possession of a reconstituted title, certainly engender doubts.

To reiterate, the Court shall not ascribe good faith to those who failed to prove diligence in protecting their rights.⁹⁸ Teofilo had knowledge of dubious circumstances that should have prompted him to acquaint himself further of any possible defects in Edgardo's and Arthur's title. Teofilo proudly claimed that he viewed TCT No. T-36127, and was in possession of the predecessor titles and important documents relating to the subject property. Clearly, he was very much aware of the questionable circumstances. Hence, he is not entitled to the protection accorded to purchasers in good faith. As such, he may not validly claim title to the subject property.

***Vicente is not guilty of laches.
Likewise, he is not entitled to
damages under the Assurance
Fund***

Essentially, laches exists when a party was negligent or has failed to assert a right within a reasonable time, thereby giving rise to the presumption that he or she has abandoned such right.⁹⁹ As an equitable doctrine, the application of laches is likewise controlled by fair considerations. Thus, the Court shall not be bound strictly by the doctrine of laches if its application will result in manifest wrong or

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⁹⁶ Id. at 71.

⁹⁷ Id. at 220.

⁹⁸ *Ruflo, et al. v. Burgos, et al.*, supra note 76 at 272-273; *Mahilum v. Sps. Ilano*, supra note 83; *Sps. Vallido v. Sps. Pono, et al.*, supra note 83.

⁹⁹ *Sps. Aboitiz v. Sps. Po*, 810 Phil. 123, 149 (2017), citing *Ignacio v. Basilio*, 418 Phil. 256, 265-266 (2001).

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grave injustice.¹⁰⁰ After all, laches may never be used to defeat justice or perpetrate fraud.¹⁰¹

Similarly, laches is evidentiary in nature and cannot be established by mere allegations in the pleadings.¹⁰² Thus, for laches to apply, the complainant must clearly establish the following requisites, namely, (i) the defendant's conduct or the one under whom the defendant claims, gave rise to the situation complained of; (ii) delay in asserting a right after knowledge of the defendant's conduct and after an opportunity to sue; (iii) defendant had no knowledge or notice that the complainant would assert his/her right; and (iv) injury or prejudice to the defendant if relief is granted in favor of the complainant.¹⁰³

Based on the foregoing, it becomes all too apparent that Vicente is not guilty of laches. He did not sleep on his rights. He was completely unaware of the illegal transfer of his property. He was confident that nothing awry transpired, since he had always kept TCT No. T-4188 safely in his vault. He only learned about the cancellation of his title in 2000, after he was informed by his representative, who he sent to pay the realty taxes.¹⁰⁴ Thereafter, he vindicated his right by instituting the annulment case.¹⁰⁵ In the same vein, his lack of knowledge about the precise location and bounds of his property, or his failure to reside therein, do not constitute negligence or laches. His failure to occupy his property does not serve as a justification for others to underhandedly wrest it from him.

Furthermore, the Mortas' occupation of the subject property never granted them any right over the same. It is indeed odd that Teofilo constantly harps on the Mortas' occupation and Vicente's non-occupation. It is settled that no title to registered land in derogation of that of the registered owner shall be acquired by prescription or adverse possession.¹⁰⁶ Since Vicente possessed a Torrens Title over the subject property, his rights may not be stolen through the occupation of the Morta family, no matter how long. Neither may the Mortas' occupation serve as a badge of good faith on Teofilo's part, considering that there were numerous circumstances that alerted him about the former's spurious title.

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¹⁰⁰ *Heirs of Sps. Manguardia, et al. v. Heirs of Simplicio Valles, et al.*, 742 Phil. 16, 36 (2014).

¹⁰¹ *Id.* at 26.

¹⁰² *Abadiano v. Sps. Martir*, 582 Phil. 647, 665 (2008), citing *Department of Education, Division of Albay v. Oñate*, 551 Phil. 633, 649 (2007), citing *Gochan and Sons Realty Corporation v. Heirs of Baba Raymundo*, 456 Phil. 569, 580.

¹⁰³ *Sps. Aboitiz v. Sps. Po*, supra at 148, citing *Ignacio v. Basilio*, supra at 265-266.

¹⁰⁴ *Rollo*, p. 229.

¹⁰⁵ *Id.*

¹⁰⁶ *Heirs of Sps. Manguardia v. Heirs of Simplicio Valles, et al.*, supra note 100 at 27.

Finally, the Court agrees with the CA's pronouncement that Vicente is not entitled to recover damages from the Assurance Fund, in view of the fact that he did not lose his property.

In fine, the Torrens system was established precisely to protect the properties of the registered owners. To achieve this goal, the Court will not allow any attempts to thwart its beneficent purpose and allow it be used as a vehicle for fraud. In this case, justice is served by safeguarding Vicente's right over his property. Although the Court commiserates with Teofilo who may have been duped by the scheme of the Morta brothers, the glaring existence of suspicious circumstances, and his consequent failure to conduct further inquiries, leaves him with no one to blame but himself.

WHEREFORE, premises considered, the petition for review is **DENIED for lack of merit**. The October 3, 2011 Decision and April 17, 2012 Resolution of the Court of Appeals in CA-G.R. CV No. 91775 are **AFFIRMED in toto**.

SO ORDERED."

By authority of the Court:


LIBRADA C. BUENA
Division Clerk of Court

by:

MARIA TERESA B. SIBULO
Deputy Division Clerk of Court
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Judgment Division (x)
Supreme Court

Court of Appeals (x)
Manila
(CA-G.R. CV No. 91775)

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The Hon. Presiding Judge
Regional Trial Court, Branch 31
Agoo, 2504 La Union
(Civil Case No. A-2366)