



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

VSD REALTY & DEVELOPMENT CORPORATION,
G.R. No. 170677

Petitioner,

Present:

VELASCO, JR., *Chairperson*,
LEONARDO DE CASTRO,
PERALTA,
ABAD, and
MENDOZA, *JI*

- versus -

UNIWIDE SALES, INC. and Promulgated:
DOLORES BAELO TEJADA,
Respondents.

24 October 2012

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DECISION

PERALTA, J.:

This is a petition for review on *certiorari*¹ of the Decision of the Court of Appeals dated May 30, 2005 in CA-G.R. CV No. 69324 and its Resolution dated December 6, 2005, denying petitioner's motion for reconsideration.

The Decision of the Court of Appeals reversed and set aside the Decision of the Regional Trial Court (RTC) of Caloocan City, Branch 126, in Civil Case No. C-16933, and dismissed petitioner's Complaint for annulment of title and recovery of possession of property.

¹ Designated Acting Member per Special Order No. 1343 dated October 9, 2012.
Under Rule 43 of the Rules of Court.

The facts are as follows:

On June 8, 1995, petitioner VSD Realty and Development Corporation (VSD) filed a Complaint² for annulment of title and recovery of possession of property against respondents Uniwide Sales, Inc. (Uniwide) and Dolores Baello³ with the RTC of Caloocan City, Branch 126 (trial court).⁴ Petitioner sought the nullification of Transfer Certificate of Title (TCT) No. (35788) 12754 in the name of Dolores Baello and the recovery of possession of property that is being occupied by Uniwide by virtue of a contract of lease with Dolores Baello.

Petitioner alleged that it is the registered owner of a parcel of land in Caloocan City, with an area of 2,835.30 square meters, more or less, and covered by TCT No. T-285312⁵ of the Register of Deeds of Caloocan City. Petitioner purchased the said property from Felisa D. Bonifacio, whose title thereto, TCT No. 265777, was registered by virtue of an Order⁶ dated October 8, 1992 authorizing the segregation of the same in Land Registration Commission (LRC) Case No. C-3288. Petitioner also alleged that its right to the subject property and the validity and correctness of the technical description and location of the property are duly established in LRC Case No. C-3288.⁷

Petitioner alleged that respondent Baello is the holder and registered owner of a parcel of land covered by TCT No. (35788) 12754 in the Register of Deeds for the Province of Rizal. By virtue of the said title, Baello claims ownership and has possession of the property covered by petitioner's title, and she entered into a contract of lease with respondent Uniwide.

² Records, Vol. I, pp. 2-8.

³ Referred to as respondent Dolores Baello Tejada in the title of G.R. No. 170677.

⁴ The case was docketed as Civil Case No. C-16933.

⁵ Annex "A," records, Vol. I, p. 9.

⁶ Records, Vol. II, pp. 585-586.

⁷ Entitled "*In the Matter of Petition for Authority to Segregate an Area of 5,680.1 Square Meters from Lot 23-A-4-B-2-A-3-B, PSD 706 (PSU-2345) of Maysilo Estate and Issuance of Separate Certificate of Title in the name of Felisa D. Bonifacio,*" filed by Felisa D. Bonifacio.

Petitioner alleged that its title, TCT No. 285312, is the correct, valid and legal document that covers the subject property, since it is the result of land registration proceedings in accordance with law.

Petitioner alleged that Baello's title, TCT No. 35788, is spurious and can only be the result of falsification and illegal machinations, and has no legal basis to establish any right over the subject property. Moreover, the technical description of Baello's title is so general that it is impossible to determine with certainty the exact location of the property covered by it. Petitioner further alleged that the technical description has no legal basis per the records of the Lands Management Bureau and the Bureau of Lands. It added that Baello's title described the property to be Lot 3-A of subdivision plan Psd 706, but an examination of Psd 706 shows that there is no Lot 3-A in plan Psd 706.⁸ Petitioner contends that in view of the foregoing reasons, Baello has no legal basis to claim the subject property, and Baello's title, TCT No. 35788, is spurious and illegal and should be annulled. Thus, petitioner sought recovery of possession of the subject property.

Petitioner prayed that judgment be rendered:

- 1) declaring TCT No. 35788 (12754) to be null and void;
- 2) ordering respondent Baello and all persons/entity claiming title under her, including Uniwide, to convey and to return the property to petitioner;
- 3) ordering respondents Baello and Uniwide, jointly and severally, to pay just and reasonable compensation per month in the amount of ₱1.5 million for the occupancy and use of petitioner's land from the time it acquired ownership of the land on September 12, 1994 until actual vacation by respondents; and

⁸ Annex "D," records, Vol. I, p. 14.

- 4) ordering respondents, jointly and severally, to pay attorney's fees of ₱250,000.00 plus 20 percent of amounts or value actually recovered.

In its Answer,⁹ respondent Uniwide alleged that on July 15, 1988, it entered into a Contract of Lease¹⁰ with respondent Baello involving a parcel of land with an area of about 2,834 square meters, located in Caloocan City, which property is covered by TCT No. 35788 in the name of Baello. As a consequence of the lease agreement, it constructed a building worth at least ₱200,000,000.00 on the said property. It prayed that judgment be rendered dismissing the complaint for lack of cause of action against Uniwide; declaring the contract of lease as valid and enforceable; and ordering petitioner to pay Uniwide moral and exemplary damages, among others.

On the other hand, respondent Baello filed a Motion to Dismiss⁹ on the grounds that the complaint stated no cause of action, and that the demand for annulment of title and/or conveyance, whether grounded upon the commission of fraud or upon a constructive trust, has prescribed, and is barred by laches.

In an Order¹¹ dated December 5, 1995, the trial court denied Baello's motion to dismiss for lack of merit. Baello's motion for reconsideration was likewise denied for lack of merit in an Order¹² dated February 27, 1996.

Subsequently, respondent Baello filed an Answer,¹³ alleging that the subject property was bequeathed to her through a will by her adoptive mother, Jacoba Galauran. She alleged that during the lifetime of Jacoba Galauran, the subject property was originally surveyed on January 24-26,

⁹ Records, Vol. I, pp. 144-157.

¹⁰ *Id.* at 65-72.

¹¹ *Id.* at p. 154.

¹² *Id.* at 176.

¹³ *Id.* at 179-194.

1923¹⁴ and, thereafter, on December 29, 1924.¹⁵ Baello alleged that after Jacoba Galauran died in 1952, her will was duly approved by the probate court, the Court of First Instance, Pasig, Rizal. Baello stated that she registered the subject property in her name, and TCT No. (35788) 12754 was issued in her favor on September 6, 1954. In 1959, she had the subject property surveyed.¹⁶ On July 15, 1988, she entered into a Contract of Lease¹⁷ with respondent Uniwide, which erected in full public view the building it presently occupies. Baello stated that she has been religiously paying realty taxes for the subject property.¹⁸

Baello alleged that during her open and public possession of the subject property spanning over 40 years, nobody came forward to contest her title thereto. It was only in September 1994, when Baello was absent from the Philippines that petitioner demanded rentals from Uniwide, asserting ownership over the land.

As an affirmative defense, respondent Baello contended that the Complaint should be dismissed as she enjoys a superior right over the subject property because the registration of her title predates the registration of petitioner's title by at least 40 years.

The deposition of respondent Baello, which was taken on October 1, 1998 at the Philippine Consular Office in San Francisco, California, United States of America, affirmed the same facts stated in her Answer.

On October 2, 2000, the trial court rendered a Decision¹⁹ in favor of petitioner. The trial court stated that the evidence for petitioner showed that it is the rightful owner of the subject lot covered by TCT No. 285312 of the

¹⁴ *Id.* at 196.

¹⁵ *Id.* at 195.

¹⁶ *Id.* at 292-285.

¹⁷ Annex "1," *id.* at 65-72.

¹⁸ Annexes "4," to "4-H," *id.* at 201-209.

¹⁹ *Rollo*, pp. 78-96.

Register of Deeds of Caloocan City. The lot was purchased by petitioner from Felisa D. Bonifacio, who became the owner thereof by virtue of her petition for segregation of the subject property from Original Certificate of Title (OCT) No. 994 of the Register of Deeds of Rizal in LRC Case No. C-3288.²⁰ The trial court found no reason to deviate from the ruling of Judge Geronimo Mangay in LRC Case No. C-3288, which was rendered after receiving all the evidence, including that of Engineer Elpidio de Lara, who testified under oath that his office, the Technical Services of the Department of Environment and Natural Resources (DENR), had not previously issued the technical description appearing on TCT No. 265777 (Felisa Bonifacio's title), and he also certified to the records of the technical description of Lot 23-A-4-B-2-A-3-A of subdivision plan Psd 706 on July 9, 1990, which refers to the same technical description appearing on Felisa D. Bonifacio's title. The trial court stated that it cannot question the Order in LRC Case No. C-3288 issued by a co-equal court in this respect, considering that Regional Trial Courts now have the authority to act not only on applications for original registration, but also over all petitions filed after original registration of title, with power to hear and determine all questions arising from such applications or petitions.

Moreover, the trial court stated that aside from the complete records of the land registration proceedings (LRC Case No. C-3288), petitioner presented witnesses to support its causes of action, thus:

Norberto Vasquez, Deputy Register of Deeds of Caloocan City, testified that TCT No. 28531[2] (Exh. "A") in the name of the plaintiff VSD Realty and Development Corporation originated from TCT No. 265777 (Exh. "B") in the name of Felisa D. Bonifacio; that Felisa Bonifacio sold the property to VSD Realty and Development Corporation, and the same was registered under the name of the plaintiff; that Felisa Bonifacio came in possession of TCT No. 265777 by virtue of an Order (Exh. "C") issued by the Regional Trial Court, Branch 125, Kalookan City, dated May 31, 1993; that the Registry of Deeds received the Order of the RTC Branch 125 and by virtue of said Order with finality, their office issued TCT No. 265777 in the name of Felisa D. Bonifacio; that their office only issue[s] titles if there is a court Order. He related the

²⁰

Exhibit "G," Records, Vol. II, p. 589.

[derivative] documents that were filed before their office such as the Court Order dated October 8, 1992, in L.R.C. Case No. 3288; the Certificate of finality to said Order dated April 6, 1999 and the subdivision plan to Lot No. 23-A-4-B-2-A-3-A.

Evelyn Celzo, a Geodetic Engineer, DENR, NCR, testified that she was the one who conducted the survey of the property of Felisa D. Bonifacio covered by TCT No. 265777; that she prepared a Verification Plan (Exh. "D") duly approved by the DENR, NCR, Director; that before the survey was conducted, she notified the adjoining owners that a survey will be conducted on the property of Felisa Bonifacio; that she was a witness in that case filed by Felisa Bonifacio vs. Syjuco before RTC Br. 125, Kalookan City. She attested to the verification survey she conducted of the subject lot as directed by her office. She confirmed that the technical description approved and recorded in their office is Lot 23-A-4-B-2-A-3-A of Psd 706. The DENR, NCR keeps a record of all technical descriptions approved and authorized by it under the Torrens system. She pointed out that only one (1) technical description is allowed for one particular lot. The subject technical description was submitted as Exhibit "F" for the plaintiff.

On January 27, 1997, witness Evelyn Celzo was subjected for cross-examination.

Witness testified that a request for verification survey was made by Felisa D. Bonifacio addressed to the Chief, Survey Division of the DENR, NCR; that a survey order was given to their office by the Regional Technical Director, Lands Management Service on August 22, 1994; that they conducted the verification survey at the actual site of the property of Felisa D. Bonifacio; that they checked all the boundaries of the property where they conducted the verification survey; that they likewise conducted actual visual inspection on the monuments; that the whole area covered by TCT No. 265777 is occupied by Uniwide Sales, Inc.; that she went to the office of the Registry of Deeds and inquired as to the address of the owner of Uniwide Sales, Inc., but she was told by the people there that they do not know; that when she conducted the survey, she tried to inform the owner of the adjoining buildings, but nobody answered; that only one became the subject of the verification survey and this is the lot covered by TCT No. 265777 in the name of Felisa Bonifacio.

Socorro Andrade, in-charge of the records of Civil/LRC cases in Branch 125 of the Regional Trial Court, Caloocan City, appeared bringing with her the records. She identified the pages of L.R.C. Case No. 3288, submitted as Exhibit "G" in this case.

Atty. Kaulayao V. Faylona, Director and Corporate Secretary of VSD Realty and Development Corporation testified on the details that led to the purchase of subject property. He verified the records of L.R.C. Case No. C-3288, as well as the transcripts and exhibits submitted in the case. He checked with the Registry of Deeds and was satisfied that the title was clean. Uniwide Sales, Inc., through its counsel Fortun and Narvasa, stated that it was not the owner of the subject property. It was a mere lessee, but during their talks on possible amicable settlement, Uniwide had to reveal the identity and address of the owner. This matter was clearly stated in the letter of Fortun and Narvasa dated May 18, 1995. As suggested by

defendant Uniwide, the instant case was filed on June 8, 1995, to include the alleged lessor of the land, Dolores Baello, care of ACCRA Law Office. He likewise testified on the damages suffered by VSD. Witness testified that plaintiff VSD Realty and Development Corporation filed the instant case against the defendants because plaintiff is the owner of the lot wherein Uniwide Sales is located x x x.²¹

Further, the trial court found that the technical description in respondent Baello's title is not the same as the technical description in petitioner's title. A mere reading of the technical description in petitioner's title and that in Baello's title would show that they are not one and the same. The trial court averred that the technical description of the subject lot in petitioner's title is recorded with the Register of Deeds of Caloocan City.²² It stated that Baello's claim to the same technical description cannot by itself alone be given weight, and the evidence offered by Baello is not enough.

The trial court held that from the evidence adduced, petitioner is the registered owner of TCT No. 275312, formerly TCT No. 265777 when Felisa D. Bonifacio was the registered owner, while respondent Baello is the registered owner of a parcel of land covered by TCT No. (35788) 12754 and respondent Uniwide is a mere lessee of the land. Baello is the holder of a title over a lot entirely different and not in anyway related to petitioner's title and its technical description. Petitioner proved its ownership and the identity of the subject property.

The dispositive portion of the trial court's decision reads:

WHEREFORE, in the light of the foregoing consideration, judgment is hereby rendered ordering the following:

1. Declaring TCT No. 35788 (12754) to be null and void;
2. Defendant Baello and all persons/entity claiming title under her, including UNIWIDE, to convey and to return the property to plaintiff VSD on the basis of the latter's full, complete, valid and legal ownership;

²¹ RTC Decision, *rollo*, pp. 82-84.

²² Exhibit "F," records, Vol. II, p. 588.

3. Defendant Baello and UNIWIDE, jointly and severally, to pay a just and reasonable compensation per month of ₱1,200,000.00 with legal interest for the occupancy and use of plaintiff's land from September 12, 1994, until actually vacated by them;

4. Defendants, jointly and severally, to pay attorney's fees of ₱200,000.00.

SO ORDERED.²³

Respondents filed their respective motion for reconsideration. In its Order²⁴ dated January 12, 2001, the trial court denied respondents' motions for reconsideration for lack of merit, and it also denied petitioner's motion for immediate execution.

Respondents appealed the trial court's decision to the Court of Appeals.

On May 30, 2005, the Court of Appeals rendered a Decision²⁵ in favor of respondents and dismissed petitioner's complaint.

The Court of Appeals stated that the main issue to be resolved was whether or not there is a valid ground to annul respondent Baello's TCT No. 35788 to warrant the reconveyance of the subject property to petitioner.

The Court of Appeals held that the trial court erred in declaring respondent Baello's TCT No. 35788 as null and void. It stated that well settled is the rule that a Torrens title is generally a conclusive evidence of ownership of the land referred to therein, and a strong presumption exists that it was regularly issued and valid.²⁶ Hence, respondent Baello's TCT No. 35788 enjoys the presumption of validity.

²³ *Rollo*, pp. 95-96.

²⁴ *Id.* at 97-100.

²⁵ *Id.* at 45-58.

²⁶ *Id.* at 54, citing *Republic v. Orfinada, Sr.*, 485 Phil. 18 (2004).

The Court of Appeals stated that based on existing jurisprudence, a certificate of title may be annulled or cancelled by the court under the following grounds: (1) when the title is void because (a) it was procured through fraud, (b) it was issued for a land already covered by a prior Torrens title, (c) it covers land reserved for military, naval or civil public purposes, and (d) it covers a land which has not been brought under the registration proceeding; (2) when the title is replaced by one issued under a cadastral proceeding; and (3) when the condition for its issuance has been violated by the registered owner.²⁷

The Court of Appeals averred that while petitioner sought to annul respondent Baello's TCT No. 35788 on the ground that the same was spurious, it failed to prove that Baello's title was indeed spurious. The appellate court also noted that the trial court's decision never mentioned that Baello's title was spurious. It further stated that any doubt or uncertainty as to the technical description contained in a certificate of title is not a ground for annulment of title. It held that since there was no legal basis for the annulment of Baello's TCT No. 35788, the trial court erred in declaring the said title null and void.

The Court of Appeals denied the cross-claim for moral damages filed by respondent Uniwide against respondent Baello, since Uniwide failed to establish its claim of besmirched reputation so as to be entitled to moral damages; hence, there was no basis to award the same. The other claims were likewise denied for lack of merit.

The dispositive portion of the Decision of the Court of Appeals reads:

WHEREFORE, the assailed Decision of the Regional Trial Court of Caloocan City, Branch 126, in Civil Case No. C-16933 is REVERSED

²⁷ *Id.*, citing Noblejas & Noblejas, *Registration of Land Titles and Deeds*, 1992 edition, pp. 239-242.

and SET ASIDE and a new one entered DISMISSING the instant complaint.²⁸

Petitioner's motion for reconsideration was denied by the Court of Appeals for lack of merit in the Resolution²⁹ dated December 6, 2005.

Hence, petitioner filed this petition raising the following issues:

I

THE COURT OF APPEALS ERRED IN RULING THAT THE BURDEN OF PROOF DID NOT SHIFT TO RESPONDENTS, NOTWITHSTANDING THE OVERWHELMING EVIDENCE PRESENTED BY PETITIONER.

II

THE COURT OF APPEALS MISCONSTRUED PETITIONER'S ALLEGATION THAT THE "ISSUANCE OF TWO TITLES OVER THE SAME PIECE OF LAND HAS NOT BEEN PROVED."

III

THE COURT OF APPEALS ERRED IN TREATING PETITIONER'S COMPLAINT AS ONE ONLY FOR ANNULMENT OF TITLE WHEN PETITIONER ALSO SOUGHT RECONVEYANCE OF THE LOT IN QUESTION.

IV

THE COURT OF APPEALS ERRED IN RULING THAT RESPONDENT BAELO'S TITLE IS NOT SPURIOUS.

V

RESPONDENT UNIWIDE IS NOT A LESSOR IN GOOD FAITH.³⁰

The pertinent issues raised by petitioner shall be discussed together with the main issues which are: (1) whether or not petitioner is entitled to recovery of possession of the subject property; and (2) whether or not the title of respondent Baello may be annulled.

Petitioner contends that the Court of Appeals erred in ruling that the burden of proof did not shift to respondents Baello and Uniwide, as it more

²⁸ *Rollo*, p. 58.

²⁹ *Id.* at 102.

³⁰ *Id.* at 11.

than adequately proved its title to the lot in question by testimonial and documentary evidence.

In civil cases, the specific rule as to the burden of proof is that the plaintiff has the burden of proving the material allegations of the complaint which are denied by the answer; and the defendant has the burden of proving the material allegations in his answer, which sets up new matter as a defense.³¹ This rule does not involve a shifting of the burden of proof, but merely means that each party must establish his own case.³²

In this case, petitioner seeks the annulment of respondent Baello's title and the recovery of possession of property being occupied by Uniwide on the ground that it has the correct title to the subject property, with the proper technical description, while respondent Baello's title is spurious and the technical description in her title is in general terms and does not identify her land with certainty.

The Court holds that petitioner was able to establish through documentary and testimonial evidence that the technical description of its Torrens title covers the property that is being occupied by respondent Uniwide by virtue of a lease contract with respondent Baello. A comparison of the technical description of the land covered by the title of petitioner and the technical description of the land covered by the title of Baello shows that they are not the same.

TCT No. 285312 registered in the name of petitioner reads:

IT IS HEREBY CERTIFIED that certain land situated in Caloocan City, Philippines, bounded and described as follows:

A parcel of land (Lot 23-A-4-B-2-A-3-A of the subd. plan Psd-706, LRC x x x situated in Balintawak, Caloocan, Rizal. Bounded on the E., along line 1-2, by Lot

³¹ R.J. Francisco, *Evidence*, Rules 128-134, 1993 edition, pp. 384, 385.

³² *Id.* at 385.

23-A-4-B-2-A-3-D, on the SE., along line 2-3 by Lot 23-A-4-B-2-A-3-B, both of the subd. plan and on the SW., NW., along line 3-4-1 by Lot 23-A-4-B-2-A-6, Beginning at a point marked "1" on plan being N. 69 deg. 07'E., 1,306.21m. from BLLM No. 1, Caloocan thence; S. 01 deg. 46'W., 25.16 m. to point 2; S 65 deg. 116.78 m. to point 3; N. 23 deg. 12'W., 23.85 m. to point 4; N. 65 deg. 57'E. 127.39 m. to the point of beginning; containing an area of TWO THOUSAND EIGHT HUNDRED THIRTY-FOUR SQUARE METERS AND EIGHTY SQ. DECIMETERS (2,834.80) more or less. All pts. referred to are indicated on plan and are marked on the ground by P.S. old points bearings true; date of original survey, Date of subd. survey, Dec. 29, 1922.³³

On the other hand, TCT No. (35788) 12754, registered in the name of respondent Dolores Baello, states:

IT IS HEREBY CERTIFIED that certain land situated in the Municipality of Caloocan, Province of Rizal, Philippines, bounded and described as follows:

Un terreno (Lote No. 3-A del plano de subdivision Psd-706, parte del Lote No. 23-A, plano original Psu-2345 de la Hacienda de Maysilo), situado en el Barrio de Balintawak, Municipio de Caloocan, Provincia de Rizal. Linda por el NE, con el Lote No. 3-D del plano de subdivision; por el SE, con el lote No. 3-B del plano de subdivision; por el SO, con el Lote No. 7; y por el NO, con propiedad de Ramos Dane (Lote No. 1). x x x midiendo una extension superficial de DOS MIL OCHOCIENTOS TREINTA Y CUATRO METROS CUADRADOS CON OCHENTA DECIMETROS (2,834.80) mas o menos. x x x la fecha de la medicion original, 8 al 27 de Septiembre, 4 al 21 de Octubre y 17-18 de Noviembre de 1911, y de la subdivision 29 de Diciembre de 1924. (Full technical description appears on Transfer Certificate of Title No. 10300/T-42).³⁴

From the foregoing, the title of petitioner covers a parcel of land referred to as Lot 23-A-4-B-2-A-3-A of the subdivision plan Psd-706, while the title of respondent Baello covers a parcel of land referred to as Lot No. 3-A of the subdivision plan Psd-706. It should be pointed out that the verification survey of Lot 23-A-4-B-2-A-3-A based on its technical

³³ Records, Vol. II, pp. 572-573.

³⁴ Records, Vol. I, pp. 54, 197.

description showed that Lot 23-A-4-B-2-A-3-A is the lot being occupied by Uniwide.³⁵ Baello claims that her Lot No. 3-A is the same as Lot 23-A-4-B-2-A-3-A. However, the claim cannot be given credence because of the disparity of the lot description, and the technical description of the land covered by Baello's title shows that it is not the same as the technical description of the land covered by petitioner's title. Moreover, the technical description of the land covered by Baello's title, or the boundaries stated therein, are not the same as those indicated in the survey plans³⁶ which she adduced in evidence. Since Baello's title covers a different property, she cannot claim a superior right over the subject property on the ground that she registered her title ahead of petitioner.

As petitioner has proven that its title covers the property in dispute, it is entitled to recover the possession thereof, the basis of which shall be discussed subsequently. The recovery of possession of the subject property by petitioner is not dependent on first proving the allegation that Baello's title is spurious and the annulment of Baello's title, since Baello's title does not cover the subject property and petitioner has proven its title over the subject property and the identity of the property.

Petitioner contends that the Court of Appeals erred in treating its complaint as one only for annulment. It asserts that it prayed not only for annulment of Baello's title, but also for the reconveyance of Lot 23-A-4-B-2-A-3-B of subdivision plan Psd 706, which was the subject of lease between lessee Uniwide and lessor Baello, and over which property Baello claims ownership. Petitioner contends that reconveyance is in order as it has complied with the requisites of reconveyance under Article 434 of the Civil Code, thus:

³⁵ TSN, November 11, 1996, p. 4.

³⁶ Annex "1-A," and Annex "3," records, Vol. I, pp. 196, 200.

Art. 434. In an action to recover, the property must be identified, and the plaintiff must rely on the strength of his title and not on the weakness of the defendant's claim.

Petitioner's contention is meritorious.

Article 434 of the Civil Code provides that to successfully maintain an action to recover the ownership of a real property, the person who claims a better right to it must prove two (2) things: *first*, the identity of the land claimed, and; *second*, his title thereto.³⁷

In regard to the first requisite, in an *accion reivindicatoria*, the person who claims that he has a better right to the property must first fix the identity of the land he is claiming by describing the location, area and boundaries thereof.³⁸

In this case, petitioner proved the identity of the land it is claiming through the technical description contained in its title, TCT No. T-285312; the derivative title of Felisa D. Bonifacio, TCT No. 265777; the technical description³⁹ included in the official records of the subject lot in the Register of Deeds of Caloocan City; and the verification survey conducted by Geodetic Engineer Evelyn Celzo of the DENR-NCR.

This conclusion is further supported by the finding of the trial court, thus:

The technical description of a titled lot registered under the Torrens system should appear on the face of the title. x x x Exhibits "F," "F-1" (Technical description of the land appearing in [plaintiff VSD's title,] Exh. "A") was acknowledged by the representative of the Register of Deeds as part of the records of TCT No. 28512. As testified by Engr. Evelyn G. Celzo of the DENR, NCR, the same certification was also established as stated in L.R.C. 3288, a technical description as approved and recorded in DENR, NCR. The technical description appearing in plaintiff's title shows the precise measurement, boundaries and location of

³⁷ *Hutchinson v. Buscas*, 498 Phil. 257, 262 (2005).

³⁸ *Id.* at 220.

³⁹ Exhibit "F," records, Vol. II, p. 588.

the plaintiff's property. These measurements/metes and bounds confirm the averments made by the plaintiff that the title of defendant Baello does not even clearly show where the land is located.

Defendant BAELLO claimed that the technical description appearing on plaintiff's title belonged to her. In support of her claim[,] she submitted Exhibits "2," "3," "3-B." Exhibits "3" and "3-B" were Survey Plans alleged to have been as prepared the Technical Description for TCT No. (35186) 12754. Firstly, the technical description appearing on her title is not the technical description alleged to be Exhibit "4," which is the plan of Psd 706, Lot 23-A-4-B-2-A-3-A. Secondly, Exhibit "4," which she submitted separately from the title, was not established by any competent witness. Said Exhibits could only be considered as part of the testimony of defendant Baello, and not proof of the matters averred in said exhibits. No other witness was presented to testify on BAELLO's claim to her technical description, being claimed. x x x⁴⁰

In addition, petitioner proved its title over the property by presenting in evidence its title, TCT No. T-285312, which describes the metes and bounds of the subject lot covered therein, that is Lot 23-A-4-B-2-A-3-A of the subdivision plan Psd-706, which lot was acquired by VSD from Felisa D. Bonifacio, as evidenced by a Deed of Absolute Sale.⁴¹

A background of the ownership of Felisa D. Bonifacio over Lot No. 23-A-4-B-2-A-3-A of the subdivision plan Psd-706 is contained in the Order⁴² dated October 8, 1992 of Judge Geronimo S. Mangay in LRC Case No. C-3288,⁴³ granting Felisa D. Bonifacio's petition⁴⁴ for authority to segregate an area of 5,680.1 square meters covering Lot 23-A-4-B-2-A-3-A and Lot 23-A-4-B-2-A-3-B, Psd 706 (PSU-2345) of the Maysilo Estate, and for issuance of a separate certificate of title in the name of Felisa D. Bonifacio. The Order dated October 8, 1992 stated that from the evidence presented, the court found that in Case No. 4557 for Petition for Substitution of Names, in the then Court of First Instance of Rizal, Branch 1, the then Presiding Judge Cecilia Muñoz Palma issued an Order dated May 25, 1962 substituting Maria de la Concepcion Vidal as one of the registered owners of

⁴⁰ Rollo, pp. 92-93.

⁴¹ Exhibit "A-3," records, Vol. II, pp. 574-576.

⁴² Records, Vol. II, pp. 585-586.

⁴³ Entitled *In the Matter of Petition for Authority to Segregate an Area of 5,680.1 Square Meters from Lot 23-A-4-B-2-A-3-B, PSD-706 (PSU-2345) of Maysilo Estate And Issuance of Separate Certificate of Title in the Name of Felisa D. Bonifacio.*

⁴⁴ Records, Vol. II, pp. 590-593.

several parcels of land forming the Maysilo Estate and covered by, among others, OCT No. 994 of the Register of Deeds of Rizal with, among others, Eleuteria Rivera Bonifacio to the extent of 1/6 of 1-189/1,000 percent of the entire Maysilo Estate.⁴⁵

Moreover, the Order dated October 8, 1992 stated that Eleuteria Rivera Bonifacio executed in favor of Felisa D. Bonifacio a Deed of Assignment assigning all her rights and interests over Lot 23-A-4-B-2-A-3-A and Lot 23-A-4-B-2-A-3-B, both of Psd 706 and covered by OCT No. 994 of the Register of Deeds of Rizal.⁴⁶ It stated that even prior to the execution of the Deed of Assignment, but while negotiations with Eleuteria Rivera Bonifacio were ongoing, Felisa Bonifacio already requested the Lands Management Sector, DENR-NCR, to prepare and issue the technical descriptions of the two lots. Upon the finality of the Order and the payment of the prescribed fees, if any, and presentation of clearances of the said lots, the Register of Deeds of Caloocan City was ordered to issue a new transfer certificate of title in the name of Felisa D. Bonifacio over Lot 23-A-4-B-2-A-3-A and Lot 23-A-4-B-2-A-3-B, both on Psd 706 of OCT No. 994 of the Register of Deeds of Rizal.⁴⁷

The evidence of petitioner, consisting of its Torrens title (TCT No. T-285312) and the derivative title of Felisa D. Bonifacio (TCT No. 265777), the technical description issued by the DENR for the segregation of the property of Felisa D. Bonifacio in LRC Case No. C-3288, and the testimonies of DENR representatives, show that the title of petitioner covers the property therein referred to as Lot 23-A-4-B-2-A-3-A, which is being occupied by Uniwide.

⁴⁵ Order dated October 8, 1992, *id.* at 585-586.

⁴⁶ *Id.* at 586.

⁴⁷ *Id.*

Hutchison v. Buscas⁴⁸ held:

x x x [I]t bears stress that in an action to recover real property, the settled rule is that the plaintiff must rely on the strength of his title, not on the weakness of the defendant's title. This requirement is based on two (2) reasons: first, it is possible that neither the plaintiff nor the defendant is the true owner of the property in dispute, and second, the burden of proof lies on the party who substantially asserts the affirmative of an issue for he who relies upon the existence of a fact should be called upon to prove that fact. x x x

In this case, petitioner proved his title over the property in dispute as well as the identity of the said property; hence, it is entitled to recover the possession of the property from respondents.

Considering that Uniwide constructed a building on the subject parcel of land, is Uniwide entitled to recover from VSD the cost of its improvement on the land?

It is noted that when the contract of lease was executed, Uniwide was unaware that the property leased by it was owned by another person other than Dolores Baello. Nevertheless, Uniwide cannot avail of the rights of a builder in good faith under Article 448⁴⁹ of the Civil Code, in relation to Article 546 of the same Code, which provides for full reimbursement of useful improvements and retention of the premises until reimbursement is made, as the said provisions apply only to a possessor in good faith who builds on land with the belief that he is the owner thereof.⁵⁰ It does not apply where one's only interest is that of a lessee under a rental contract.⁵¹

⁴⁸ *Supra* note 37, at 264.

⁴⁹ Art. 448. The owner of the land on which anything has been built, sown or planted in good faith, shall have the right to appropriate as his own the works, sowing or planting, after payment of the indemnity provided for in Articles 546 and 548, or to oblige the one who built or planted to pay the price of the land, and the one who sowed, the proper rent. However, the builder or planter cannot be obliged to buy the land if its value is considerably more than that of the building or trees. In such case, he shall pay reasonable rent, if the owner of the land does not choose to appropriate the building or trees after proper indemnity. The parties shall agree upon the terms of the lease and in case of disagreement, the court shall fix the terms thereof.

⁵⁰ *Chua v. Court of Appeals*, G.R. No. 109840, January 21, 1999, 301 SCRA 356, 364; 361 Phil. 308, 318 (1999); *Pada-Kilario v. Court of Appeals*, G.R. No. 134329, January 19, 2000, 322 SCRA 481, 492-493; 379 Phil. 515, 529 (2000).

⁵¹ *Parilla v. Pilar*, G.R. No. 167680, November 30, 2006, 509 SCRA 420, 427; 538 Phil. 909, 917 (2006).

*Parilla v. Pilar*⁵² held:

Jurisprudence is replete with cases which categorically declare that **Article 448 covers only cases in which the builders, sowers or planters believe themselves to be owners of the land or, at least, have a claim of title thereto**, but not when the interest is merely that of a holder, such as a mere tenant, agent or usufructuary. A tenant cannot be said to be a builder in good faith as he has no pretension to be owner.

In a plethora of cases, **this Court has held that Articles 448 of the Civil Code, in relation to Article 546 of the same Code**, which allows full reimbursement of useful improvements and retention of the premises until reimbursement is made, **applies only to a possessor in good faith, i.e., one who builds on land with the belief that he is the owner thereof. It does not apply where one's only interest is that of a lessee under a rental contract**; otherwise, it would always be in the power of the tenant to “improve” his landlord out of his property. (Italics supplied)⁵³

Based on the foregoing, Uniwide cannot recover the cost of its improvement on the land from VSD under Article 448 of the Civil Code.

Further, petitioner prays that the Decision of the Court of Appeals be reversed and the Decision of the trial court be reinstated. An examination of the dispositive portion of the trial court's decision shows that some modifications are in order.

First, the trial court declared the title of respondent Dolores Baello, TCT No. (35788) 12754, to be null and void.

The Court, however, holds that the title of respondent Dolores Baello cannot be nullified, because the records show that petitioner failed to present any proof that the title was issued through fraud, and Baello's title covers a different property from that described in petitioner's title.

⁵²*Id.*⁵³*Id.* at 427-428; *id.* at 916-917. (Citations omitted.)

Second, the trial court ordered respondents Baello and Uniwide to pay, jointly and severally, a just and reasonable compensation of ₱1,200,000.00 per month with legal interest for the occupancy and use of petitioner's land from the time petitioner acquired ownership of the land on September 12, 1994 until the land is actually vacated by respondents.

The Court notes that the trial court did not state in its decision how it determined the amount of ₱1.2 million as monthly compensation for the occupation and use of petitioner's property from the time petitioner acquired ownership of the property until it is vacated by respondents, particularly Uniwide which is in possession of the property. Although petitioner, in its Complaint, prayed for the payment of ₱1.5 million as compensation for the occupancy and use of the subject property, it did not present evidence to prove that it is entitled to such amount. The only basis for compensation for the use of the subject property is the contract of lease between Uniwide and Dolores Baello covering a period of 25 years from July 1, 1988 to June 30, 2013,⁵⁴ renewable for another 25 years, with the agreement that upon termination of the lease, the ownership of whatever buildings and improvements constructed by the lessee on the leased premises shall automatically be owned by the lessor.⁵⁵ The lease contract provides payment of rent in the amount of ₱700,000.00 per annum,⁵⁶ or a monthly rental of ₱58,333.30. The Court holds that the payment of ₱58,333.30 per month is a reasonable compensation for the occupation and use by respondents of the subject property from the time petitioner acquired ownership of the land on September 12, 1994. The monthly compensation of ₱58,333.30 shall earn an interest of six percent (6%) per annum⁵⁷ from the filing of the Complaint on June 8, 1995⁵⁸ until the award is final and

⁵⁴ Records, Vol. I, p. 66.

⁵⁵ *Id.* at 69.

⁵⁶ *Id.* at 66.

⁵⁷ Civil Code, Art. 2209. If the obligation consists in the payment of a sum of money, and the debtor incurs in delay, the indemnity for damages there being no stipulation to the contrary, shall be the payment of the interest agreed upon, and in the absence of stipulation, the legal interest, which is six percent per annum.

executory, after which the interest rate shall be 12 percent (12%) per annum from the date the award becomes final and executory until fully paid.⁵⁹

However, Uniwide should not be made to pay jointly and severally with Baello just compensation for the occupancy and use of petitioner's land from June 8, 1995, the date of the filing of the complaint, up to the finality of this Decision, since Uniwide already paid rentals to Baello. However, Baello and Uniwide may be held jointly and severally liable to VSD for the payment of rentals from the finality of this Decision until the possession of the subject property is returned to VSD, since Uniwide would not yet have paid rentals during that time.

Third, the trial court awarded attorney's fees to petitioner.

The Court holds that the trial court erred in awarding attorney's fees in the amount of ₱200,000.00 to petitioner as it failed to state in the body of its decision the basis for such award.⁶⁰ The power of courts to grant attorney's fees demands factual, legal and equitable justification; its basis cannot be left to speculation or conjecture.⁶¹

WHEREFORE, the petition is **GRANTED**. The Decision of the Court of Appeals dated May 30, 2005 and its Resolution dated December 6, 2005, in CA-G.R. CV No. 69824, are **REVERSED** and **SET ASIDE**. The Decision of the Regional Trial Court of Caloocan City, Branch 126, in Civil Case No. C-16933 is **REINSTATED** with **MODIFICATION** as follows:

⁵⁸ Civil Code, Art. 2212. Interest due shall earn legal interest from the time it is judicially remanded, although the obligation may be silent upon this point.

⁵⁹ *Eastern Shipping Lines, Inc. v. Court of Appeals*, G.R. No. 97412, July 12, 1994, 234 SCRA 78.

⁶⁰ *Pang-oden v. Leonen*, G.R. No. 138939, December 6, 2006, 510 SCRA 93, 102; 539 Phil. 148, 157 (2006).

⁶¹ *Id.*

- (1) Paragraph 1 of the dispositive portion of the Decision dated October 2, 2000 of the Regional Trial Court of Caloocan City, Branch 126, in Civil Case No. C-16933, is deleted;
- (2) Respondent Dolores Baello and all persons/entities claiming title under her, including respondent Uniwide Sales, Inc., are ordered to convey and to return the property or the lot covered by TCT No. T-285312 to petitioner VSD Realty and Development Corporation upon finality of this Decision;
- (3) Respondent Dolores Baello is ordered to pay just and reasonable compensation for the occupancy and use of the land of petitioner VSD Realty and Development Corporation in the amount of ₱58,333.30 per month from September 12, 1994 until the Decision is final and executory, with legal interest of six percent (6%) *per annum* reckoned from the filing of the Complaint on June 8, 1995 until the finality of this Decision. Thereafter, respondent Uniwide Sales, Inc. is jointly and severally liable with Dolores Baello for the payment to petitioner VSD Realty and Development Corporation of monthly rental in the amount of ₱58,333.30 from the finality of this Decision until the land is actually vacated, with twelve percent (12%) interest *per annum*.
- (4) The award of attorney's fees is deleted.

No costs.

SO ORDERED.

DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:

PRESBITERO J. VELASCO, JR.

Associate Justice

Chairperson

Teresita Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO

Associate Justice

Roberto A. Abad
ROBERTO A. ABAD
Associate Justice

JOSE CATRAL MENDOZA

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.

PRESBITERO J. VELASCO, JR.

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.

Maria Lourdes P. Areng
MARIA LOURDES P. ARENG
Chief Justice