



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

**SPOUSES ALFONSO AND
MARIA ANGELES CUSI,**
Petitioners,

G.R. No. 195825

-versus-

LILIA V. DOMINGO,
Respondent.

x-----x

RAMONA LIZA L. DE VERA,
Petitioner,

G.R. No. 195871

Present:

-versus-

SERENO, C.J.,
LEONARDO-DE CASTRO,
BERSAMIN,
VILLARAMA, JR., and
REYES, JJ.

**LILIA V. DOMINGO AND
SPOUSES RADELIA AND
ALFRED SY,**
Respondents.

Promulgated:

FEB 27 2013

x-----x

DECISION

BERSAMIN, J.:

Under the Torrens system of land registration, the registered owner of realty cannot be deprived of her property through fraud, unless a transferee acquires the property as an innocent purchaser for value. A transferee who acquires the property covered by a reissued owner's copy of the certificate of title without taking the ordinary precautions of honest persons in doing business and examining the records of the proper Registry of Deeds, or who fails to pay the full market value of the property is not considered an innocent purchaser for value.

Under review in these consolidated appeals is the Decision promulgated on July 16, 2010,¹ whereby the Court of Appeals (CA) in CA-G.R. CV No. 90452 affirmed the revised decision rendered on March 1, 2007 by the Regional Trial Court in Quezon City (RTC) against the petitioners and their seller.²

Antecedents

The property in dispute was a vacant unfenced lot situated in White Plains, Quezon City and covered by Transfer Certificate of Title (TCT) No. N-165606 issued in the name of respondent Lilia V. Domingo by the Registry of Deeds of Quezon City. It had an area of 658 square meters.³ In July 1999, Domingo learned that construction activities were being undertaken on her property without her consent. She soon unearthed the series of anomalous transactions affecting her property.

On July 18, 1997, one Radelia Sy (Sy),⁴ representing herself as the owner of the property, petitioned the RTC for the issuance of a new owner's copy of Domingo's TCT No. N-165606, appending to her petition a deed of absolute sale dated July 14, 1997 purportedly executed in her favor by Domingo;⁵ and an affidavit of loss dated July 17, 1997,⁶ whereby she claimed that her bag containing the owner's copy of TCT No. N-165606 had been snatched from her on July 13, 1997 while she was at the SM City in North EDSA, Quezon City. The RTC granted Sy's petition on August 26, 1997.⁷ The Registry of Deeds of Quezon City then issued a new owner's duplicate copy of TCT No. N-165606, which was later cancelled by virtue of the deed of absolute sale dated July 14, 1997, and in its stead the Registry of Deeds of Quezon City issued TCT No. 186142 in Sy's name.⁸

Sy subsequently subdivided the property into two, and sold each half by way of contract to sell to Spouses Edgardo and Ramona Liza De Vera and to Spouses Alfonso and Maria Angeles Cusi. The existence of the individual contracts to sell was annotated on the dorsal portion of Sy's TCT No. 186142 as Entry No. PE-8907/N-186142,⁹ stating that the consideration of the sale was ₱1,000,000.00 for each set of buyers, or for a total of ₱2,000,000.00 for the entire property that had an actual worth of not less

¹ *Rollo* (G.R. No. 195871), pp. 9-29; penned by Associate Justice Franchito N. Diamante, and concurred in by Associate Justice Josefina Guevara-Salonga (retired) and Associate Justice Mariflor Punzalan Castillo.

² *Id.* at 1062-1068.

³ *Id.* at 117, reverse page not numbered.

⁴ Also appears in the records as Radella Sy.

⁵ *Rollo* (G.R. No. 195871), pp. 121-122.

⁶ *Id.* at 127.

⁷ *Id.* at 130-132.

⁸ *Id.* at 133.

⁹ *Id.* at 135.

than ₱14,000,000.00. TCT No. 186142 in the name of Sy was then cancelled by virtue of the deeds of sale executed between Sy and Spouses De Vera, and between Sy and Spouses Cusi, to whom were respectively issued TCT No. 189568¹⁰ and TCT No. 189569.¹¹ All the while, the transactions between Sy and the De Veras, and between Sy and the Cusis were unknown to Domingo, whose TCT No. N-165606 remained in her undisturbed possession.¹²

It turned out that the construction activities taking place on the property that Domingo learned about were upon the initiative of the De Veras in the exercise of their dominical and possessory rights.

Domingo commenced this action against Sy and her spouse, the De Veras and the Cusis in the RTC, the complaint being docketed as Civil Case No. Q-99-39312 and entitled *Lilia V. Domingo v. Spouses Radelia and Alfred Sy, Spouses Alfonso G. and Maria Angeles S. Cusi, Spouses Edgardo M. and Ramona Liza L. De Vera, BPI Family Savings Bank and The Register of Deeds of Quezon City*, seeking the annulment or cancellation of titles, injunction and damages. Domingo applied for the issuance of a writ of preliminary prohibitory and mandatory injunction, and a temporary restraining order (TRO).¹³ The RTC granted Domingo's application for the TRO enjoining the defendants from proceeding with the construction activities on the property. The RTC later granted her application for the writ of preliminary injunction.

Ruling of the RTC

On September 30, 2003, the RTC rendered a decision,¹⁴ disposing:

WHEREFORE, in view of all the foregoing judgment is hereby rendered:

(a) declaring the sale between Lilia V. Domingo and Radella Sy void and of (sic) effect;

(b) declaring the Sps. Edgardo and Ramona Liza De Vera and Sps. Alfonso and Maria Angeles Cusi to be purchasers in good faith and for value;

(c) lifting the writ of preliminary injunction;

¹⁰ Id. at 134.

¹¹ Id. at 136.

¹² Id. at 135.

¹³ Id. at 108-116.

¹⁴ Id. at 810-827.

(d) finding defendant Radella Sy liable to the plaintiff Lilia Domingo liable (sic) for damages, as follows:

1. Fourteen Million Pesos (₱14,000,000.00) representing the value of the property covered by TCT No. 165606 plus legal rate of interest until fully paid;
2. One Million Pesos (₱1,000,000.00) representing moral damages;
3. Five Hundred Thousand Pesos (₱500,000.00) representing exemplary damages;
4. Five Hundred Thousand Pesos (₱500,000.00) representing attorney's fees;
5. Two Hundred Thousand Pesos (₱200,000.00) representing litigation expenses; and
6. Costs of Suit.

IT IS SO ORDERED.

Acting on the motions for reconsideration separately filed by Sy and Domingo,¹⁵ the RTC reconsidered and set aside its September 30, 2003 decision, and allowed the presentation of rebuttal and sur-rebuttal evidence.

On March 1, 2007, the RTC rendered a new decision,¹⁶ ruling:

WHEREFORE, in view of the foregoing, Judgment is hereby rendered:

- (a) Declaring the sale between Lilia Domingo and Radelia Sy void and of no effect;
- (b) Declaring the Sps. Edgardo and Ramona Liza De Vera and Sps. Alfonso and Maria Angeles Cusi not purchasers in good faith and for value;
- (c) TCT Nos. 189568 and 189569 are hereby cancelled and declared Null and Void Ab Initio;
- (d) Directing the Register of Deeds of Quezon City to annotate this Order on TCT No. 189568 and 189569;
- (e) TCT No. 165606 in the name of Lilia Domingo is hereby revalidated; and,

¹⁵ Id. at 828-857 and 867-886, (Motion for Reconsideration dated October 20, 2003 filed by the Sys) and Motion for Partial Reconsideration dated October 24, 2003 filed by Domingo).

¹⁶ Id. at 1062-1068.

(f) Finding defendant Radelia Sy liable to the plaintiff Lilia V. Domingo liable (sic) for damages, as follows:

1. One Million Pesos (₱1,000,000.00) representing moral damages;
2. Five Hundred Thousand Pesos (₱500,000.00) representing exemplary damages;
3. Five Hundred Thousand Pesos (₱500,000.00) representing attorney's fees;
4. Two Hundred Thousand Pesos (₱200,000.00) representing litigation expenses; and,
5. Costs of suit.

This Decision is without prejudice to whatever civil action for recovery and damages, the defendants Sps. De Vera and Sps. Cusi may have against defendant Spouses Radelia and Alfred Sy.

SO ORDERED.

Ruling of the CA

On appeal, the assignment of errors each set of appellants made was as follows:

Spouses Cusi

- a) THE REGIONAL TRIAL COURT GRAVELY ERRED IN FINDING THAT DEFENDANTS SPOUSES ALFONSO AND MARIA ANGELES CUSI ARE NOT PURCHASERS IN GOOD FAITH AND FOR VALUE.
- b) THE REGIONAL TRIAL COURT GRAVELY ERRED IN FAILING TO RESOLVE THE ISSUE OF WHETHER OR NOT CO-DEFENDANTS SPOUSES RADELIA SY AND ALFRED SY ARE LIABLE FOR SPOUSES CUSI'S CROSS-CLAIM.
- c) THE REGIONAL TRIAL COURT ERRED IN FAILING TO AWARD DAMAGES AND ATTORNEY'S FEES TO DEFENDANTS SPOUSES CUSI.¹⁷

Spouses Sy

- a) THE TRIAL COURT A QUO ERRED IN HOLDING THAT THE SALE BETWEEN LILIA DOMINGO AND RADELIA SY VOID

¹⁷ Id. at 16.

AND OF NO EFFECT AND WAS PROCURED (sic) THROUGH FRAUDULENT MEANS.

- b) THAT THE HONORABLE COURT ERRED IN AWARDING ACTUAL MORAL DAMAGES, EXEMPLARY DAMAGES AND ATTORNEY'S FEES AND LITIGATION EXPENSES THE SAME BEING NULL AND VOID FOR BEING CONTRARY TO LAW.
- c) THAT THE SAID DECISION IS CONTRARY TO LAW AND JURISPRUDENCE AND IS NOT SUPPORTED BY EVIDENCE, AS THE SAME CONTAIN SERIOUS REVERSIBLE ERRORS WHEN THE COURT A QUO DECLARED THAT TCT NOS. 189568 AND 189569 CANCELLED AND DECLARED NULL AND VOID AB INITIO.
- d) THE INSTANT ASSAILED DECISION OF THE HONORABLE COURT HAVE (sic) DEPRIVED DEFENDANT[S] SPOUSES SY OF THEIR BASIC CONSTITUTIONAL RIGHT TO DUE PROCESS OF LAW.¹⁸

Spouses De Vera

- a) THE LOWER COURT ERRED IN HOLDING THAT THE DE VERA SPOUSES ARE NOT PURCHASERS IN GOOD FAITH AND NOT ENTITLED TO THE POSSESSION OF THE PROPERTY COVERED BY TCT NO. N-189568.
- b) THE LOWER COURT ALSO ERRED IN NOT AWARDING DEFENDANT-APPELLANT DE VERA HER COUNTERCLAIMS AGAINST PLAINTIFF-APPELLEE.¹⁹

As stated, the CA promulgated its decision on July 16, 2010, affirming the RTC with modification of the damages to be paid by the Sys to Domingo, viz:

WHEREFORE, premises considered, the instant appeal is **denied**. Accordingly, the Decision dated March 1, 2007 of the Regional Trial Court is hereby **AFFIRMED** with the modification on the award of damages to be paid by defendants-appellants Spouses Radelia and Alfred Sy in favor of the plaintiff-appellee Lilia V. Domingo, to wit;

1. ₱500,000.00 by way of moral damages;
2. ₱200,000.00 by way of exemplary damages;
3. ₱100,000.00 as attorney's fees and litigation expenses.

SO ORDERED.²⁰

¹⁸ Id. at 17.

¹⁹ Id. at 17-18.

²⁰ Id. at 28-29.

The CA held that the sale of the property from Domingo to Sy was null and void and conveyed no title to the latter for being effected by forging the signature of Domingo; that Sy thereby acquired no right in the property that she could convey to the Cusis and De Veras as her buyers; that although acknowledging that a purchaser could rely on what appeared on the face of the certificate of title, the Cusis and De Veras did not have the status of purchasers in good faith and for value by reason of their being aware of Sy's TCT No. 186142 being a reconstituted owner's copy, thereby requiring them to conduct an inquiry or investigation into the status of the title of Sy in the property, and not simply rely on the face of Sy's TCT No. 186142; and that the Cusis and De Veras were also aware of other facts that should further put them on guard, particularly the several nearly simultaneous transactions respecting the property, and the undervaluation of the purchase price from ₱7,000,000.00/half to only ₱1,000,000.00/half to enable Sy to pay a lesser capital gains tax.

The CA later on denied the motions for reconsideration.²¹

Issues

Hence, this appeal *via* petitions for review on *certiorari* by the Cusis (G.R. No. 195825) and Ramona Liza L. De Vera²² (G.R. No. 195871).

In G.R. No. 195825, the Cusis submit the following issues:²³

I

WHETHER OR NOT THE HONORABLE COURT OF APPEALS ERRED IN FINDING THAT TRANSFER CERTIFICATE OF TITLE NO. 186142 REGISTERED IN THE NAME OF RADELIA SY IS A RECONSTITUTED TITLE.

II

WHETHER OR NOT THE PETITIONERS ARE BUYERS IN GOOD FAITH AND FOR VALUE.

III

GRANTING, WITHOUT ADMITTING, THAT THE DECISION OF THE HONORABLE COURT OF APPEALS IS CORRECT WITH RESPECT TO THE SECOND ISSUE, WHETHER OR NOT PETITIONERS ARE ENTITLED TO REIMBURSEMENT OF ALL THE

²¹ Id. at 31-32.

²² Defendant Edgardo De Vera died pending the appeal.

²³ *Rollo* (G.R. No. 195825), pp. 25-26.

PAYMENTS MADE BY PETITIONERS TO THEIR CO-
DEFENDANTS SPOUSES ALFRED AND RADELIA SY IN
ADDITION TO DAMAGES AND ATTORNEY'S FEES.

In G.R. No. 195871, De Vera asserts that the primordial issue is whether or not she was an innocent purchaser for value and in good faith.

Ruling of the Court

The petitions for review are bereft of merit.

Firstly, now beyond dispute is the nullity of the transfer of Domingo's property to Sy because both lower courts united in so finding. The unanimity in findings of both the RTC and the CA on this all-important aspect of the case is now conclusive on the Court in view of their consistency thereon as well as by reason of such findings being fully supported by preponderant evidence. We consider to be significant that the Sys no longer came to the Court for further review, thereby rendering the judgment of the CA on the issue of nullity final and immutable as to them.

Secondly, the Cusis and De Vera commonly contend that the CA gravely erred in not considering them to be purchasers in good faith and for value. They argue that Sy's TCT No. 186142 was free of any liens or encumbrances that could have excited their suspicion; and that they nonetheless even went beyond the task of examining the face of Sy's TCT No. 186142, recounting every single detail of their quest to ascertain the validity of Sy's title, but did not find anything by which to doubt her title.

The Court concurs with the finding by the CA that the Cusis and De Vera were not purchasers for value and in good faith. The records simply do not support their common contention in that respect.

Under the Torrens system of land registration,²⁴ the State is required to maintain a register of landholdings that guarantees indefeasible title to those

²⁴ In order to resolve the deficiencies of the common law and deeds registration systems, Sir Robert Torrens, an Irish emigrant to Australia who became the first colonial Premier of South Australia, introduced the new title system in 1858, after a boom in land speculation and a haphazard grant system resulted in the loss of over 75% of the 40,000 land grants issued in the colony (now State) of South Australia. Having served as a Collector of Customs, and having a background in the practices of registering the ownership of ships, his idea was to apply the principles of registration of ownership in ships to registration in titles to and, that is, to have land ownership conclusively evidenced by certificate and thereby made determinable and transferable quickly, cheaply and safely (Powell, Richard R., *The Law of Real Property*, Volume 6, § 4405, pp. 245-246; Thomson, George W., *Commentaries on the Modern Law of Real Property*, Volume 8 (Permanent Edition), § 919, p. 302). He established a system based around a central registry of all the land in the jurisdiction of South Australia, embodied in the Real Property Act of 1886 (South Australia). All transfers of land were recorded in the register, and, most importantly, the owner

included in the register. The system has been instituted to combat the problems of uncertainty, complexity and cost associated with old title systems that depended upon proof of an unbroken chain of title back to a good root of title. The State issues an official certificate of title to attest to the fact that the person named is the owner of the property described therein, subject to such liens and encumbrances as thereon noted or what the law warrants or reserves.²⁵

One of the guiding tenets underlying the Torrens system is the curtain principle, in that one does not need to go behind the certificate of title because it contains all the information about the title of its holder. This principle dispenses with the need of proving ownership by long complicated documents kept by the registered owner, which may be necessary under a private conveyancing system, and assures that all the necessary information regarding ownership is on the certificate of title. Consequently, the avowed objective of the Torrens system is to obviate possible conflicts of title by giving the public the right to rely upon the face of the Torrens certificate and, as a rule, to dispense with the necessity of inquiring further; on the part of the registered owner, the system gives him complete peace of mind that he would be secured in his ownership as long as he has not voluntarily disposed of any right over the covered land.²⁶

The Philippines adopted the Torrens system through Act No. 496,²⁷ also known as the *Land Registration Act*, which was approved on November 6, 1902 and took effect on February 1, 1903. In this jurisdiction, therefore, “a person dealing in registered land has the right to rely on the Torrens certificate of title and to dispense with the need of inquiring further, *except* when the party has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make such inquiry”.²⁸

of the land was established by virtue of his name being recorded in the government’s register. The Torrens title also recorded easements and the creation and discharge of mortgages.

According to Powell, *op. cit.*, p. 245: “xxx It is frequently said that the system was originated by Torrens, but records, showing systems of registration of title to lands in portions of Europe, are extant, dating back as far as 1836, and there is nothing new about the fundamental principles involved. It is clear, however, that the registration system, as applied in England and generally throughout British dependencies, is the result of the work of Torrens. xxx” See also Hogg, James E., *Australian Torrens System with Statutes* (1905). However, Robinson, Stanley, *Transfer of Land in Victoria* (1979), reports that Ulrich Hübbe, a German lawyer living in South Australia in the 1850s, made the most important single contribution by adapting principles borrowed from the Hanseatic registration system in Hamburg. Nevertheless, it cannot be denied that Torrens’ political activities were substantially responsible for securing acceptance of the new system in South Australia and eventually, in other Australian colonies. He oversaw the introduction of the system in the face of often vicious attack from his opponents, many of whom were lawyers, who feared loss of work in conveyancing because of the introduction of a simple scheme. The Torrens system was also a marked departure from the common law of real property and its further development has been characterized by the reluctance of common law judges to accept it.

²⁵ *Republic v. Guerrero*, G.R. No. 133168, March 28, 2006, 485 SCRA 424, 434-435, citing Noblejas, *Land Titles and Deeds*, 1986 ed., p. 32.

²⁶ *Republic vs. Court of Appeals*, G.R. Nos. L-46626-27, December 27, 1979, 94 SCRA 865, 874.

²⁷ *An Act to Provide for the Adjudication and Registration of Titles to Lands in the Philippine Islands*.

²⁸ *Cayana v. Court of Appeals*, G.R. No. 125607, March 18, 2004, 426 SCRA 10, 23.

To obtain a grasp of whether a person has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make such inquiry, an internal matter, necessitates an analysis of evidence of a person's conduct.²⁹ That renders the determination of intent as a factual issue,³⁰ something that the Court does not normally involve itself in because of its not being a trier of facts. Indeed, as a rule, the review function of the Court is limited to a review of the law involved.

But the Court now delves into the facts relating to the issue of innocence of the petitioners in their purchase of the property, considering that the RTC, through its original decision, at first regarded them to have been innocent purchasers who were not aware of any flaw or defect in Sy's title based on the fact that the property had been unfenced and vacant. The RTC also regarded the petitioners' making of reasonable verifications as their exercise of the due diligence required of an ordinary buyer.³¹ The RTC later completely turned around through another decision, however, and it was such decision that the CA affirmed subject to the modifications of the damages granted to Domingo.

There is no question that the petitioners exerted some effort as buyers to determine whether the property did rightfully belong to Sy. For one, they did not find any encumbrance, like a notice of *lis pendens*, being annotated on the TCT of Sy. Nonetheless, their observance of a certain degree of diligence within the context of the principles underlying the Torrens system was not their only barometer under the law and jurisprudence by which to gauge the validity of their acquisition of title. As the purchasers of the property, they also came under the clear obligation to purchase the property not only in good faith but also for value.

Therein lay the problem. The petitioners were shown to have been deficient in their vigilance as buyers of the property. It was not enough for them to show that the property was unfenced and vacant; otherwise, it would be too easy for any registered owner to lose her property, including its possession, through illegal occupation. Nor was it safe for them to simply rely on the face of Sy's TCT No. 186142 in view of the fact that they were aware that her TCT was derived from a duplicate owner's copy reissued by virtue of the loss of the original duplicate owner's copy. That circumstance should have already alerted them to the need to inquire beyond the face of Sy's TCT No. 186142. There were other circumstances, like the almost simultaneous transactions affecting the property within a short span of time, as well as the gross undervaluation of the property in the deeds of sale, ostensibly at the behest of Sy to minimize her liabilities for the capital gains

²⁹ *Gabriel v. Mabanta*, G.R. No. 142403, March 26, 2003, 399 SCRA 573, 582-583.

³⁰ *Ayala Land, Inc., v. Velasquez, Jr.*, G.R. No. 139449, March 25, 2004, 426 SCRA 309, 318.

³¹ *Rollo* (G.R. No. 195871), pp. 810-827.

tax, that also excited suspicion, and required them to be extra-cautious in dealing with Sy on the property.

To the Court, the CA's treatment of Sy's TCT No. 186142 as similar to a reconstituted copy of a Torrens certificate of title was not unwarranted. In doing so, the CA cited the ruling in *Barstowe Philippines Corporation v. Republic*,³² where the Court, quoting from precedents, opined that "[t]he 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," in that "[b]oth 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;"³³ and that both were "subsequent copies of the originals thereof," a fact that a "cursory examination of these subsequent copies would show" and "put on notice of such fact [anyone dealing with such copies who is] thus warned to be extra-careful."³⁴

Verily, the Court has treated a reissued duplicate owner's copy of a TCT as merely a reconstituted certificate of title. In *Garcia v. Court of Appeals*,³⁵ a case with striking similarities to this one, an impostor succeeded in tricking a court of law into granting his petition for the issuance of a duplicate owner's copy of the supposedly lost TCT. The impostor then had the TCT cancelled by presenting a purported deed of sale between him and the registered owners, both of whom had already been dead for some time, and another TCT was then issued in the impostor's own name. This issuance in the impostor's own name was followed by the issuance of yet another TCT in favor of a third party, supposedly the buyer of the impostor. In turn, the impostor's transferee (already the registered owner in his own name) mortgaged the property to Spouses Miguel and Adela Lazaro, who then caused the annotation of the mortgage on the TCT. All the while, the *original* duplicate owner's copy of the TCT remained in the hands of an heir of the deceased registered owners with his co-heirs' knowledge and consent.

The inevitable litigation ensued, and ultimately ended up with the Court. The Lazaros, as the mortgagees, claimed good faith, and urged the Court to find in their favor. But the Court rebuffed their urging, holding instead that they did not deal on the property in good faith because: (a) "the title of the property mortgaged to the Lazaros was a second owner's duplicate TCT, which is, in effect a reconstituted title. This circumstance should have alerted them to make the necessary investigation, but they did not;" and (b) their argument, that "because the TCT of the property on which

³² G.R. No. 133110, March 28, 2007, 519 SCRA 148, 186.

³³ *Rollo* (G.R. No. 195825), p. 79.

³⁴ *Id.*

³⁵ G.R. No. 96141, October 2, 1991, 202 SCRA 228.

their mortgage lien was annotated did not contain the annotation: “Reconstituted title,” the treatment of the reissued duplicate owner’s copy of the TCT as akin to a reconstituted title did not apply, had no merit considering that: “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. This warning the mortgagees Lazaros did not heed, or they just ignored it.”³⁶

The fraud committed in *Garcia* paralleled the fraud committed here. The registered owner of the property was Domingo, who remained in the custody of her TCT all along; the impostor was Sy, who succeeded in obtaining a duplicate owner’s copy; and the Cusis and the De Veras were similarly situated as the Spouses Lazaro, the mortgagees in *Garcia*. The Cusis and the De Veras did not investigate beyond the face of Sy’s TCT No. 186142, despite the certificate derived from the reissued duplicate owner’s copy being akin to a reconstituted TCT. Thereby, they denied themselves the innocence and good faith they supposedly clothed themselves with when they dealt with Sy on the property.

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

Being the buyers of the registered realty, the Cusis and the De Veras were aware of the aforementioned several almost simultaneous transactions affecting the property. Their awareness, if it was not actual, was at least presumed, and ought to have put them on their guard, for, as the CA pointed out, the RTC observed that “[t]hese almost simultaneous transactions, particularly the date of the alleged loss of the TCT No. 165606 and the purported Deed of Sale, suffice[d] to arouse suspicion on [the part of] any

³⁶ Id at 241-242.

person dealing with the subject property.”³⁷ Simple prudence would then have impelled them as honest persons to make deeper inquiries to clear the suspiciousness haunting Sy’s title. But they still went on with their respective purchase of the property without making the deeper inquiries. In that regard, they were not acting in good faith.

Another circumstance indicating that the Cusis and the De Veras were not innocent purchasers for value was the gross undervaluation of the property in the deeds of sale at the measly price of ₱1,000,000.00 for each half when the true market value was then in the aggregate of at least ₱14,000,000.00 for the entire property. Even if the undervaluation was to accommodate the request of Sy to enable her to minimize her liabilities for the capital gains tax, their acquiescence to the fraud perpetrated against the Government, no less, still rendered them as parties to the wrongdoing. They were not any less guilty at all. In the ultimate analysis, their supposed passivity respecting the arrangement to perpetrate the fraud was not even plausible, because they knew as the buyers that they were not personally liable for the capital gains taxes and thus had nothing to gain by their acquiescence. There was simply no acceptable reason for them to have acquiesced to the fraud, or for them not to have rightfully insisted on the declaration of the full value of the realty in their deeds of sale. By letting their respective deeds of sale reflect the grossly inadequate price, they should suffer the consequences, including the inference of their bad faith in transacting the sales in their favor.

De Vera particularly insists that she and her late husband did not have any hand in the undervaluation; and that Sy, having prepared the deed of sale, should alone be held responsible for the undervaluation that had inured only to her benefit as the seller. However, such insistence was rendered of no consequence herein by the fact that neither she nor her late husband had seen fit to rectify the undervaluation. It is notable that the De Veras were contracting parties who appeared to have transacted with full freedom from undue influence from Sy or anyone else.

Although the petitioners argue that the actual consideration of the sale was nearly ₱7,000,000.00 for each half of the property, the Court rejects their argument as devoid of factual basis, for they did not adduce evidence of the actual payment of that amount to Sy. Accordingly, the recitals of the deeds of sale were controlling on the consideration of the sales.

Good faith is the honest intention to abstain from taking unconscientious advantage of another. It means the “freedom from knowledge and circumstances which ought to put a person on inquiry.”³⁸

³⁷ *Rollo* (G.R. No. 195871), p. 1066.

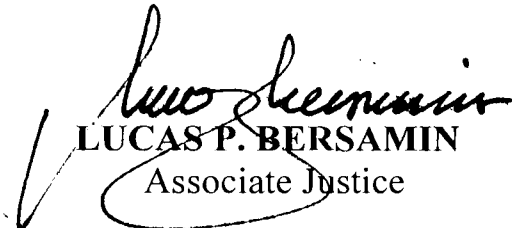
³⁸ *Leung Lee v. F.L. Strong Machinery Co. and Williamson*, 37 Phil 644, 651 (1918).

Given this notion of good faith, therefore, a purchaser in good faith is one who buys the property of another without notice that some other person has a right to, or interest in, such property and pays full and fair price for the same.³⁸ As an examination of the records shows, the petitioners were not innocent purchasers in good faith and for value. Their failure to investigate Sy's title despite the nearly simultaneous transactions on the property that ought to have put them on inquiry manifested their awareness of the flaw in Sy's title. That they did not also appear to have paid the full price for their share of the property evinced their not having paid true value.³⁹

Resultantly, the Court affirms the lower courts, and restores to Domingo her rights of dominion over the property.


WHEREFORE, the Court **AFFIRMS** the decision of the Court of Appeals promulgated on July 16, 2010; and **ORDERS** the petitioners to pay the costs of suit.

SO ORDERED.




LUCAS P. BERSAMIN
Associate Justice

WE CONCUR:




MARIA LOURDES P. A. SERENO
Chief Justice



TERESITA J. LEONARDO-DE CASTRO
Associate Justice



MARTIN S. VILLARAMA, JR.
Associate Justice



BIENVENIDO L. REYES
Associate Justice

³⁸ *Fule v. De Legare*, No. L-17951, February 28, 1963, 7 SCRA 351, 356.

³⁹ *Realty Sales Enterprise Inc. v. Intermediate Appellate Court*, No. L-67451, September 28, 1987, 154 SCRA 328, 345.

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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. A. SERENO
Chief Justice