



Republic of the Philippines  
Supreme Court  
Manila

THIRD DIVISION

SPOUSES ELISEO R. BAUTISTA      G.R. No. 171464  
AND EMPERATRIZ C.  
BAUTISTA,  
Petitioners,

- versus -

SPOUSES MILA JALANDONI  
AND ANTONIO JALANDONI  
AND MANILA CREDIT  
CORPORATION,  
Respondents.

X ----- X

MANILA CREDIT      G.R. No. 199341  
CORPORATION,  
Petitioner,      Present:

- versus -

SPOUSES MILA AND ANTONIO  
JALANDONI, and SPOUSES  
ELISEO AND EMPERATRIZ C.  
BAUTISTA,  
Respondents.

VELASCO, JR., J., *Chairperson*,  
PERALTA,  
BERSAMIN,\*  
ABAD, and  
MENDOZA, JJ.

Promulgated:

X -----  
November 27, 2013

DECISION

MENDOZA, J.:

Before the Court are two consolidated petitions for review under Rule 45 assailing the January 27, 2006 Amended Decision<sup>1</sup> of the Court of

\* Designated Acting Member in lieu of Associate Justice Marvic Mario Victor F. Leonen per Special Order No. 1605 dated November 20, 2013.

<sup>1</sup> CA rollo, pp. 706-715.

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Appeals (*CA*) in CA G.R. CV No. 84648 and its October 12, 2011 Resolution<sup>2</sup> denying the motion for reconsideration filed by Manila Credit Corporation (*MCC*). The controversy stemmed from a complaint<sup>3</sup> for cancellation of titles with damages filed by Spouses Mila and Antonio Jalandoni (*Spouses Jalandoni*) against Spouses Eliseo and Emperatriz Bautista (*Spouses Baustista*), the Register of Deeds of Makati City,<sup>4</sup> Spouses Eduardo and Ma. Teresa Tongco (*Spouses Tongco*), and Manila Credit Corporation (*MCC*).

Spouses Jalandoni were the registered owners of two (2) parcels of land, covered by Transfer Certificate of Title (*TCT*) Nos. 201048<sup>5</sup> and 201049.<sup>6</sup> The two lots were located in Muntinlupa City, each parcel of land containing an area of Six Hundred (600) square meters, more or less, amounting to ₱1,320,000.00 per lot.

In May 1997, the Spouses Jalandoni applied for a loan with a commercial bank and, as a security thereof, they offered to constitute a real estate mortgage over their two lots. After a routine credit investigation, it was discovered that their titles over the two lots had been cancelled and new TCT Nos. 206091 and 205624 were issued in the names of Spouses Baustista. Upon further investigation, they found out that the bases for the cancellation of their titles were two deeds of absolute sale,<sup>7</sup> dated April 4, 1996 and May 4, 1996, purportedly executed and signed by them in favor of Spouses Baustista.

Aggrieved, Spouses Jalandoni filed a complaint for cancellation of titles and damages claiming that they did not sell the subject lots and denied having executed the deeds of absolute sale. They asserted that the owner's duplicate certificates of title were still in their possession; that their signatures appearing on the deeds of absolute sale were forged and that said deeds were null and void and transferred no title in favor of Spouses Bautista; that they never met the Spouses Bautista; that they did not appear before the notary public who notarized the deeds of absolute sale; that the community tax certificates indicated in the deeds of absolute sale were not issued to them and that the entries therein were forged and falsified; that Spouses Bautista paid a grossly inadequate price of only ₱600,000.00 per lot; and that the Spouses Bautista were aware of the true value of the lots

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<sup>2</sup> *Rollo* (G.R. No. 199341), pp. 92-93.

<sup>3</sup> Records, pp. 1-6.

<sup>4</sup> In view of the creation of the Register of Deeds of Muntinlupa City, the Register of Deeds of Makati was substituted by the Register of Deeds of Muntinlupa City, which had custody over the titles of the subject properties.

<sup>5</sup> Annex "A" of the Complaint, records, p. 8.

<sup>6</sup> Annex "B" of the Complaint, *id.* at 9.

<sup>7</sup> Annexes "E" and "F," *id.* at 14-18.

because they mortgaged one lot to Spouses Tongco for ₱1,700,000.00 and the other lot for ₱3,493,379.82 to MCC.

In their answer,<sup>8</sup> Spouses Bautista claimed that in March 1996, a certain Teresita Nasino (*Nasino*) offered to Eliseo Baustista (*Eliseo*) two parcels of land located in Muntinlupa City; that the parcels of land were sold at a bargain price because the owners were in dire need of money; that upon their request, Nasino showed them the photocopies of the titles covering the subject lands; that Nasino told them that she would negotiate with the Spouses Jalandoni, prepare the necessary documents and cause the registration of the sale with the Register of Deeds; and that since Nasino was a wife of a friend, Spouses Baustista trusted her and gave her the authority to negotiate with Spouses Jalandoni on their behalf.

Spouses Bautista further alleged that in April 1996, Nasino informed Eliseo that the deeds of sale had been prepared and signed by Spouses Jalandoni; that they, in turn, signed the deeds of sale and gave Nasino the amount of ₱1,200,000.00; that TCT Nos. 206091 and 205624 were issued to them; that since they needed funds for a new project, Eliseo contracted a loan with Spouses Tongco using as a security the parcel of land covered by TCT No. 205624; that he also contracted a loan with MCC in the amount of ₱3,493,379.82 and used as a security the lot covered by TCT No. 206091; that they eventually paid the loan with the Spouses Tongco, thus, the real estate mortgage was cancelled; and that since they were having difficulty paying the interests of their loan with the MCC, they also mortgaged the lot covered by TCT No. 205624.

For its part, MCC reiterated its claim in its motion to dismiss that the venue of the case was improperly laid and that the complaint failed to state a cause of action against it as there was no allegation made in the complaint as to its participation in the alleged falsification. MCC averred that they found no indication of any defect in the titles of Spouses Bautista; that it exercised due diligence and prudence in the conduct of its business and conducted the proper investigation and inspection of the mortgaged properties; and that its mortgage lien could not be prejudiced by the alleged falsification claimed by Spouses Jalandoni.<sup>9</sup>

On December 17, 2004, the RTC rendered judgment<sup>10</sup> declaring the sale of the subject lots void. The RTC explained that Nasino had no authority to negotiate for the Spouses Jalandoni, much less to receive the consideration of the sale. Spouses Bautista were not innocent purchasers in

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<sup>8</sup> Records, pp. 76-80.

<sup>9</sup> Id. at 125-130.

<sup>10</sup> Id. at 645-658.

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good faith and for value for their failure to personally verify the original copies of the titles of the subject properties and to ascertain the authority of Nasino since they were not dealing with the registered owner. The RTC, nonetheless, found MCC a mortgagee in good faith and upheld the validity of the mortgage contract between Spouses Bautista and MCC. The dispositive portion reads:

WHEREFORE, in view of all the foregoing, the Court hereby renders judgment declaring:

1. The mortgage lien of defendant Manila Credit Corp. over the Transfer Certificate of Title No. 205624 and 206091 and/or Transfer Certificates of Title No. 201048 and 201049 valid, legal and enforceable;

2. Ordering defendant Eliseo and Emperatriz Bautista jointly and severally to pay the plaintiff Antonio and Mila Jalandoni the amount of ₱1,320,000.00 for each lot by way of actual damages;

3. Ordering defendant Eliseo and Emperatriz Bautista jointly and severally to pay the plaintiff Antonio and Mila Jalandoni the amount of ₱100,000.00 by way of moral damages;

4. Ordering defendant Eliseo and Emperatriz Bautista jointly and severally to pay the plaintiff Antonio and Mila Jalandoni the amount of ₱50,000.00 by way of exemplary damages; and

5. Ordering defendant Eliseo and Emperatriz Bautista jointly and severally to pay plaintiff Antonio and Mila Jalandoni the amount of ₱50,000.00 by way of attorney's fees.

6. No pronouncement as to costs.

SO ORDERED.<sup>11</sup>

Both not satisfied, Spouses Jalandoni and Spouses Bautista appealed the RTC decision before the CA.

In their appellants brief,<sup>12</sup> Spouses Jalandoni prayed that (1) the TCT Nos. 205624 and 201061 in the names of Spouses Bautista be declared null and void; (2) the real estate mortgage constituted on TCT Nos. 205624 and 201061 in favor of Manila Credit Corporation be nullified; and (3) the Register of Deeds of Muntinlupa City be ordered to reinstate TCT Nos. 201048 and 201049 in their names.

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<sup>11</sup> Id. at 657-658.

<sup>12</sup> CA rollo, pp. 38-62.

On the other hand, Spouses Bautista asked for the reversal of the RTC decision and the dismissal of the complaint for lack of merit.<sup>13</sup>

With leave of court,<sup>14</sup> MCC filed its brief<sup>15</sup> praying for the affirmation of the RTC decision or in the event that the title of Spouses Bautista over the subject lots would be cancelled, they be adjudged to pay MCC their total obligation under the promissory notes.

The CA, in its Decision,<sup>16</sup> dated September 30, 2005, modified the RTC decision, ordering Spouses Bautista to pay Spouses Jalandoni actual damages in the amount of ₱1,700,000.00 for the property covered by TCT No. 205624 and ₱3,493,379.82 for the property covered by TCT No. 206091.

Spouses Bautista filed a motion for reconsideration, whereas Spouses Jalandoni filed a partial motion for reconsideration.

On January 27, 2006, the CA, in an *Amended Decision*,<sup>17</sup> denied Spouses Bautista's motion for reconsideration and ruled in favor of Spouses Jalandoni. The CA held that MCC's purported right over the subject properties could not be greater than that of Spouses Jalandoni, who remained the lawful owners of the subject lots. The dispositive portion reads:

WHEREFORE, except for the dismissal of the appeal instituted by defendants-appellants spouses Eliseo Bautista and Emperatriz Bautista, the dispositive portion of Our Decision dated September 30, 2005 is hereby amended to read as follows:

1. Declaring null and void Transfer Certificates of Titles Nos. 205624 and 201061 in the name of defendants-appellants Spouses Eliseo Bautista and Emperatriz Bautista;
2. Nullifying the Real Estate Mortgages constituted on the lots covered by Transfer Certificates of Titles Nos. 205624 and 201061 by defendant-appellant Eliseo Bautista in favor of defendant-appellee Manila Credit Corporation;
3. Ordering the Register of Deeds of Muntinlupa City to reinstate Transfer Certificates of Title Nos. 201048 and

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<sup>13</sup> Id. at 87-98.

<sup>14</sup> CA Resolution dated August 17, 2005, id. at 141.

<sup>15</sup> CA *rollo*, pp. 143-183.

<sup>16</sup> Id. at 207-231. Penned by then Associate Justice Mariano C. Del Castillo (now a member of this Court) and concurred in by Associate Justices Portia Aliño-Hormachuelos and Magdangal M. De Leon.

<sup>17</sup> Id. at 345-354.

201049 in the name of plaintiffs-appellants Spouses Mila Jalandoni and Antonio Jalandoni, free from any mortgage or lien;

4. Defendants-appellants Spouses Eliseo Bautista and Emperatriz Bautista are liable to pay their obligation under the Promissory Notes they executed in favor of defendant-appellee Manila Credit Corporation;
5. Ordering defendants-appellants jointly and severally to pay plaintiffs-appellants the amount of Fifty Thousand Pesos (₱50,000.00) by way of moral damages;
6. Ordering defendants-appellants jointly and severally to pay plaintiffs-appellants the amount of Twenty Five Thousand Pesos (₱25,000.00) by way of exemplary damages; and
7. Ordering defendants-appellants jointly and severally to pay plaintiffs-appellants the amount of Twenty Five Thousand Pesos (₱25,000.00) by way of attorney's fees.

SO ORDERED.<sup>18</sup>

On February 24, 2006, MCC filed a motion for reconsideration<sup>19</sup> praying for the reinstatement of the CA's September 30, 2005 decision.

The Spouses Bautista, in turn, filed a petition for review before the Court docketed as G.R. No. 171464. In view thereof, the CA held in abeyance the resolution on MCC's motion for reconsideration.<sup>20</sup>

On September 26, 2007, the Court gave due course to the petition.<sup>21</sup> Seeing the need, however, to first resolve the motion for reconsideration of the MCC, the Court directed the CA to resolve the motion.

Consequently, the CA, in a Resolution,<sup>22</sup> dated October 12, 2011, denied the petition.

On December 6, 2011, the MCC filed a petition for review before this Court assailing the January 27, 2006 Amended Decision and October 12, 2011 Resolution of the CA in CA G.R. CV No. 84648.

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<sup>18</sup> Id. at 353-354.

<sup>19</sup> Id. at 368-378.

<sup>20</sup> Id. at 396.

<sup>21</sup> Resolution, *rollo*, pp. 481-482.

<sup>22</sup> *Rollo* (G.R. No. 199341), pp. 92-93. Penned by Associate Justice Magdangal M. De Leon and concurred in by Associate Justices Mario V. Lopez and Socorro B. Inting.

Considering that G.R. No. 171464 and G.R. No. 199341 are both questioning the January 27, 2006 Amended Decision and October 12, 2011 Resolution of the CA and that the issues raised are intertwined, the Court consolidated the two petitions.

In G.R. No. 171464, Spouses Bautista anchored their petition on the following

### **ARGUMENTS:**

**THE COURT OF APPEALS COMMITTED GRAVE ERROR IN FINDING THAT PETITIONERS ARE NOT BUYERS IN GOOD FAITH.**

**THE COURT OF APPEALS ERRED IN RULING THAT (A) THE TCTs ISSUED UNDER PETITIONERS' NAMES SHOULD BE ANNULLED; AND (B) THEY ARE LIABLE TO THE SPOUSES JALANDONI FOR ACTUAL, MORAL AND EXEMPLARY DAMAGES, AND ATTORNEY'S FEES.<sup>23</sup>**

Whereas, in G.R. No. 199341, MCC presented the following

### **ASSIGNMENT OF ERRORS/ GROUNDS/ISSUES**

**WHETHER OR NOT THE COURT OF APPEALS COMMITTED AN ERROR IN NULLIFYING THE REAL MORTGAGE CONSTITUTED ON THE SUBJECT PROPERTIES.**

**WHETHER OR NOT THE COURT OF APPEALS SERIOUSLY COMMITTED AN ERROR IN FAILING TO APPLY THE CASES OF PINEDA VS. COURT OF APPEALS, CABUHAT VS. COURT OF APPEALS, REPUBLIC VS. UMALI, PHILIPPINE NATIONAL BANK VS. COURT OF APPEALS, PENULLAR VS. PHILIPPINE NATIONAL BANK AND SUCH OTHER CASES UPHOLDING THE RIGHT OF AN INNOCENT MORTGAGEE FOR VALUE.**

**WHETHER OR NOT THE COURT OF APPEALS COMMITTED AN ERROR IN APPLYING THE CASE OF TORRES VS. COURT OF APPEALS.<sup>24</sup>**

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<sup>23</sup> *Rollo* (G.R. No. 171464), p. 9.

<sup>24</sup> *Rollo* (G.R. No. 199341), p. 11.

The issues to be resolved are (1) whether or not the Spouses Bautista were buyers in good faith and for value; and, (2) in case they were not, whether or not Spouses Jalandoni have a better right than MCC.

Before resolving the issue on whether Spouses Bautista were purchasers in good faith for value, the Court shall first discuss the validity of the sale.

Articles 1874 of the Civil Code provides:

Art. 1874. When a sale of a piece of land or any interest therein is through an agent, the authority of the latter shall be in writing; otherwise, the sale shall be void.

Likewise, Article 1878 paragraph 5 of the Civil Code specifically mandates that the authority of the agent to sell a real property must be conferred in writing, to wit:

Art. 1878. Special powers of attorney are necessary in the following cases:

(1) x x x

x x x

(5) To enter into any contract by which the ownership of an immovable is transmitted or acquired either gratuitously or for a valuable consideration;

x x x.

The foregoing provisions explicitly require a written authority when the sale of a piece of land is through an agent, whether the sale is gratuitously or for a valuable consideration. Absent such authority in writing, the sale is null and void.<sup>25</sup>

In the case at bar, it is undisputed that the sale of the subject lots to Spouses Bautista was void. Based on the records, Nasino had no written authority from Spouses Jalandoni to sell the subject lots. The testimony of Eliseo that Nasino was empowered by a special power of attorney to sell the subject lots was bereft of merit as the alleged special power attorney was neither presented in court nor was it referred to in the deeds of absolute

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<sup>25</sup> *Spouses Alcantara v. Nido*, G.R. No. 165133, April 19, 2010, 618 SCRA 333, 340.



sale.<sup>26</sup> Bare allegations, unsubstantiated by evidence, are not equivalent to proof under the Rules of Court.<sup>27</sup>

Spouses Bautista insist that they were innocent purchasers for value, entitled to the protection of the law. They stress that their purchase of the subject properties were all coursed through Nasino, who represented that she knew Spouses Jalandoni and that they were selling their properties at a bargain price because they were in dire need of money. Considering that the Register of Deeds cancelled the titles of Spouses Jalandoni and subsequently issued new titles in their names, they assert that these were regularly and validly issued in their names. Moreover, they aver that they were not privy to any fraud committed in the sale of the subject properties.<sup>28</sup>

The Court finds no merit in their arguments.

“A buyer 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. He is a buyer for value if he pays a full and fair price at the time of the purchase or before he has notice of the claim or interest of some other person in the property.”<sup>29</sup> “Good faith connotes an honest intention to abstain from taking unconscientious advantage of another.”<sup>30</sup> To prove good faith, the following conditions must be present: (a) the seller is the registered owner of the land; (b) the owner is in possession thereof; and (3) at the time of the sale, the buyer was not aware of any claim or interest of some other person in the property, or of any defect or restriction in the title of the seller or in his capacity to convey title to the property. All these conditions must be present, otherwise, the buyer is under obligation to exercise extra ordinary diligence by scrutinizing the certificates of title and examining all factual circumstances to enable him to ascertain the seller’s title and capacity to transfer any interest in the property.<sup>31</sup>

Tested by these conditions, Spouses Bautista cannot be deemed purchasers in good faith. There were several circumstances that should have placed them on guard and prompted them to conduct an investigation that went beyond the face of the title of the subject lots. Their failure to take the necessary steps to determine the status of the subject lots and the extent of Nasino’s authority puts them into bad light. As correctly observed by the RTC:

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<sup>26</sup> TSN dated July 17, 2003, Records, Volume II, pp. 1000-1005.

<sup>27</sup> *Rosaroso v. Soria*, G.R. No. 194846, June 19, 2013.

<sup>28</sup> Memorandum, G.R. No. 171464, *rollo*, pp. 491-510.

<sup>29</sup> *Orquiolo v. Court of Appeals*, 435 Phil. 323, 331 (2002).

<sup>30</sup> *Rosencor Development Corporation v. Inqing*, 406 Phil. 565, 580 (2001).

<sup>31</sup> *Bautista v. Silva*, 533 Phil. 627, 639 (2006).

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As a general rule, every person dealing with registered land may safely rely on the correctness of the certificate of title and is under no obligation to look beyond the certificate itself to determine the actual owner or the circumstances of its ownership. However, there might be circumstance apparent on the face of the certificate of title or situation availing which would excite suspicion as a reasonable prudent man to promptly inquire as in the instant case where the transfer is being facilitated by a person other than the registered owner.

In his testimony, defendant Eliseo Bautista admitted not having met the plaintiffs except when the instant case was filed in court (TSN, July 17, 2003, p. 32.). He also testified that a Special Power of Attorney was executed by the plaintiffs in favor of Nasino. However, such Special Power of Attorney was not presented in evidence much less the tenor thereof referred to in the Deeds of Sale purportedly executed by the plaintiffs with Bautista. Hence, this Court cannot sustain Bautista's allegation that Nasino was specifically authorized to transact for and in behalf of the plaintiffs over the vehement denial of the latter to the contrary.

The foregoing fact alone would have prompted suspicion over the transaction considering that the same involves a valuable consideration. In addition, the following circumstances would have placed Bautista on guard and should have behooved himself to inquire further considering: (1) the non-presentation of the owner's duplicate certificate, where only photocopies of the certificates of title were presented to defendant Bautista; (2) the price at which the subject lots were being sold; and (2) the continued failure and/or refusal of the supposed sellers to meet and communicate with him.

While it may be true that Bautista's participation over the transaction was merely limited to the signing of the Deeds of Sale, and there is no evidence on record that he was party to the forgery or the simulation of the questioned contracts. Nevertheless, failing to make the necessary inquiry under circumstances as would prompt a reasonably prudent man to do so as in the instant case, is hardly consistent with any pretense of good faith, which defendant Bautista invokes to claim the right to be protected as innocent purchaser for value.<sup>32</sup>

Spouses Bautista's claim of good faith is negated by their failure to verify the extent and nature of Nasino's authority. Since Spouses Bautista did not deal with the registered owners but with Nasino, who merely represented herself to be their agent, they should have scrutinized all factual circumstances necessary to determine her authority to insure that there are no flaws in her title or her capacity to transfer the land.<sup>33</sup> They should not have merely relied on her verbal representation that she was selling the subject lots on behalf of Spouses Jalandoni. Moreover, Eliseo's claim that he

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<sup>32</sup> Records, pp. 649-650.

<sup>33</sup> *Abad v. Guimba*, 503 Phil. 321, 332 (2005).

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did not require Nasino to give him a copy of the special power of attorney because he trusted her is unacceptable. Well settled is the rule that persons dealing with an assumed agency are bound at their peril, if they would hold the principal liable, to ascertain not only the fact of agency but also the nature and extent of authority, and in case either is controverted, the burden of proof is upon them to establish it.<sup>34</sup> As stated, Spouses Bautista's failure to observe the required degree of caution in ascertaining the genuineness and extent of Nasino's authority is tantamount to bad faith that precludes them from claiming the rights of a purchaser in good faith.<sup>35</sup>

Spouses Bautista next argue that they could not be held liable for moral and exemplary damages.

In light of the foregoing circumstances, the Court finds the award of moral and exemplary damages in order.

Moral damages are treated as compensation to alleviate physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury resulting from a wrong.<sup>36</sup> Though moral damages are not capable of pecuniary estimation, the amount should be proportional to and in approximation of the suffering inflicted.<sup>37</sup>

On the other hand, exemplary damages may be imposed by way of example or correction for the public good.<sup>38</sup> They are "imposed not to enrich one party or impoverish another, but to serve as a deterrent against or as a negative incentive to curb socially deleterious actions."<sup>39</sup>

Coming now to the petition of MCC, it claims to be a mortgagee in good faith and asserts that it had no participation in the forgery of the deeds of sale. It argues that since the mortgaged lots were registered lands, it is not required to go beyond their titles to determine the condition of the property and may rely on the correctness of the certificates of title.

Generally, the law does not require a person dealing with registered land to go beyond the certificate of title to determine the liabilities attaching to the property.<sup>40</sup> In the absence of suspicion, a purchaser or mortgagee has a

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<sup>34</sup> *Litonjua v. Fernandez*, 471 Phil. 440, 458 (2004).

<sup>35</sup> *Mathay v. Court of Appeals*, 356 Phil. 870, 892 (1998).

<sup>36</sup> *Expert Travel and Tours, Inc. v. Court of Appeals*, 368 Phil. 444, 448 (1999).

<sup>37</sup> *Queensland-Tokyo Commodities, Inc. v. George*, G.R. No. 172727, September 8, 2010, 630 SCRA 304, 318.

<sup>38</sup> Article 2229, Civil Code.

<sup>39</sup> *Id.*

<sup>40</sup> *Bank of Commerce v. San Pablo, Jr.*, 550 Phil. 805, 821 (2007).

right to rely in good faith on the certificates of title of the mortgagor and is not obligated to undertake further investigation.<sup>41</sup> For indeed the Court in several cases declared that a void title may be the source of a valid title in the hands of an innocent purchaser for value.<sup>42</sup>

Where the owner, however, could not be charged with negligence in the keeping of its duplicate certificates of title or with any act which could have brought about the issuance of another title relied upon by the purchaser or mortgagee for value, then the innocent registered owner has a better right over the mortgagee in good faith.<sup>43</sup> For “the law protects and prefers the lawful holder of registered title over the transferee of a vendor bereft of any transmissible rights.”<sup>44</sup>

In the case of *C.N. Hodges v. Dy Buncio & Co., Inc.*<sup>45</sup> which was relied upon by the Court in the cases of *Baltazar v. Court of Appeals*,<sup>46</sup> *Torres v. Court of Appeals*,<sup>47</sup> and in the more recent case of *Sanchez v. Quinio*,<sup>48</sup> the Court held that:

The claim of indefeasibility of the petitioner's title under the Torrens land title system would be correct if previous valid title to the same parcel of land did not exist. The **respondent had a valid title x x x It never parted with it; it never handed or delivered to anyone its owner's duplicate of the transfer certificate of title; it could not be charged with negligence** in the keeping of its duplicate certificate of title or with any act which could have brought about the issuance of another certificate upon which a purchaser in good faith and for value could rely. If the petitioner's contention as to indefeasibility of his title should be upheld, then registered owners without the least fault on their part could be divested of their title and deprived of their property. Such disastrous results which would shake and destroy the stability of land titles had not been foreseen by those who had endowed with indefeasibility land titles issued under the Torrens system. [Emphases supplied]

Thus, in the case of *Tomas v. Philippine National Bank*,<sup>49</sup> the Court stated that:

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<sup>41</sup> *Clemente v. Razo*, 493 Phil. 119, 128 (2005).

<sup>42</sup> *Tan v. De la Vega*, 519 Phil. 515, 529 (2006). *Philippine National Bank v. Court of Appeals*, G.R. No. 43972, July 24, 1990, 187 SCRA 735, 740.

<sup>43</sup> *Sanchez v. Quinio*, 502 Phil. 40, 48 (2005), citing *C.N. Hodges v. Dy Buncio & Co., Inc.*, 116 Phil. 595, 601.

<sup>44</sup> *Baltazar v. Court of Appeals*, 250 Phil. 349, 371 (1988).

<sup>45</sup> 116 Phil. 595, 601 (1962).

<sup>46</sup> 250 Phil. 349, 371 (1988).

<sup>47</sup> 264 Phil. 1062, 1068 (1990).

<sup>48</sup> 502 Phil. 40, 48 (2005).

<sup>49</sup> 187 Phil. 183, 189 (1980).

We, indeed, find more weight and vigor in a doctrine which recognizes a better right for the innocent original registered owner who obtained his certificate of title through perfectly legal and regular proceedings, than one who obtains his certificate from a totally void one, as to prevail over judicial pronouncements to the effect that one dealing with a registered land, such as a purchaser, is under no obligation to look beyond the certificate of title of the vendor, for in the latter case, good faith has yet to be established by the vendee or transferee, being the most essential condition, coupled with valuable consideration, to entitle him to respect for his newly acquired title even as against the holder of an earlier and perfectly valid title.

Similarly, Spouses Jalandoni had not been negligent in any manner and indeed had not performed any act which gave rise to any claim by a third person. As a matter of fact, Spouses Jalandoni never relinquished their title over the subject lots. They had in their possession the owner's duplicate of title all this time and they never handed it to anyone. Imagine their surprise when they learned that the copy of their certificates of title with the Registry of Deeds had been cancelled and new ones issued in the names of Spouses Bautista. Thus, whatever rights MCC may have acquired over the subject lots cannot prevail over, but must yield to the superior rights of Spouses Jalandoni as no one can acquire a better right that the transferor has.<sup>50</sup>

Accordingly, the CA was correct and fair when it ordered Spouses Bautista to pay its obligation to MCC. At any rate, in its petition before the CA, MCC precisely asked, in the alternative, that Spouses Bautista be adjudged to pay its total obligation under the promissory note.<sup>51</sup>

**WHEREFORE**, the petitions of Spouses Bautista in G.R. No. 171464 and the Manila Credit Corporation in G.R. No. 199341 are both **DENIED**. The January 27, 2006 Amended Decision and October 12, 2011 Resolution of the Court of Appeals in CA G.R. CV No. 84648 are **AFFIRMED**.

**SO ORDERED.**


  
**JOSE CATRAL MENDOZA**  
Associate Justice

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<sup>50</sup> *Sanchez v. Quinio*, supra note 48.

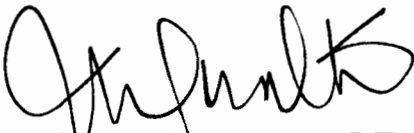
<sup>51</sup> CA rollo, p. 183.

**WE CONCUR:**

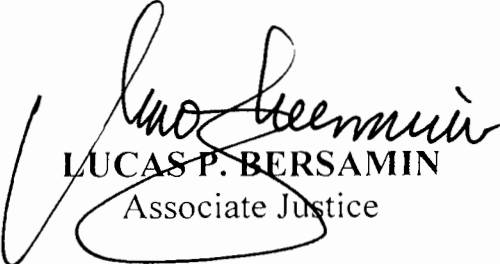


**PRESBITERO J. VELASCO, JR.**


Associate Justice  
Chairperson



**DIOSDADO M. PERALTA**  
Associate Justice




**LUCAS P. BERSAMIN**  
Associate Justice



**ROBERTO A. ABAD**  
Associate Justice

**A T T E S T A T I O N**

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

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**C E R T I F I C A T I O N**

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. A. SERENO**  
Chief Justice

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