



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

VIRGILIO G. CAGATAO,
Petitioner,

G.R. No. 174004

Present:

- versus -

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

GUILLERMO ALMONTE,
ARTHUR AGUILAR,
SPS. ERNESTO FERNANDEZ
AND AVELINA FERNANDEZ,
MARVIN JOHN FERNANDEZ,
MARSON FERNANDEZ, and
MARJUN FERNANDEZ,
Respondents.

Promulgated:

October 9, 2013

Alcero Peralta

X ----- X

DECISION

MENDOZA, J.:

Before the Court is a petition for review on *certiorari* under Rule 45 of the 1997 Revised Rules of Civil Procedure assailing the March 9, 2006 Amended Decision¹ and the August 7, 2006 Resolution² of the Court of Appeals (CA), in CA-G.R. CV No. 72094, modifying the June 22, 2001 Decision³ of the Regional Trial Court, Branch 24, Echague, Isabela (RTC), in Civil Case No. Br. 24-0458, an action for annulment of sale, cancellation of title and damages.

¹ Rollo, pp. 42-46.

² Id. at 47-48.

³ Id. at 182-193; penned by Judge Bonifacio T. Ong.

The Facts

This case stemmed from an action for annulment of deeds of sale, cancellation of title and damages filed on April 18, 1996 by petitioner Virgilio G. Cagatao (*Cagatao*) against respondents Guillermo Almonte (*Almonte*), Arthur Aguilar (*Aguilar*), Spouses Ernesto and Avelina Fernandez (*Spouses Fernandez*), and Marvin John Fernandez, Marson Fernandez and Marjun Fernandez (collectively the *Fernandez Siblings*).⁴

On February 16, 1949, a homestead patent over the property subject of this controversy (Lot No. 5598, Pls-67) was issued in favor of Juan Gatchalian.⁵ Cagatao claimed that sometime in 1940, Gatchalian sold the lot to Delfin Manzulin (*Manzulin*) in exchange for one carabao, as embodied in a barter agreement which was unfortunately destroyed or lost during the Second World War.⁶ In 1990, Manzulin allegedly executed a private written document in the Ilocano dialect, transferring ownership over the property to his son-in-law, Cagatao.⁷ The latter then occupied and cultivated the land until the Fernandez Siblings attempted to take possession of the lot, thereby prompting him to file the subject complaint before the RTC.⁸

The respondents, on the other hand, contended that on April 3, 1993, the Spouses Fernandez purchased the property from Almonte and Aguilar who had in their possession a tax declaration covering the said land.⁹ To protect their interest, on January 17, 1996, Spouses Fernandez once again bought the same property for ₱220,000.00 from Emmaculada Carlos (*Carlos*), believed to be the owner of the lot by virtue of Transfer Certificate of Title (*TCT*) No. T-12159-A, a *reconstituted title* in her name.¹⁰ The former, in turn, executed a deed of sale, dated January 22, 1996, in favor of their children, the Fernandez Siblings, resulting in the issuance of TCT No. T-249437 in their names.¹¹

In his Memorandum before the RTC, Cagatao questioned the sale to Spouses Fernandez by Carlos because, at that time, Manzulin was already the owner of the subject property. He also pointed out that it was highly irregular that Spouses Fernandez would buy the same property from two different vendors on two different occasions. Apart from these anomalous transactions, Cagatao insisted that TCT No. T-249437 in the name of the Fernandez Siblings was a nullity because the sale from the Spouses

⁴ Id. at 11.

⁵ Id. at 252.

⁶ Id. at 350.

⁷ Id. at 253.

⁸ Id.

⁹ Id. at 254.

¹⁰ Id.

¹¹ Id. at 258.

Fernandez was simulated, as testified to by Avelina Fernandez (*Fernandez*) who confirmed that she and her husband did not sign the deed of sale purporting to have transferred ownership of the property to the Fernandez Siblings.¹²

The respondents claimed that Cagatao was unable to present proof of title or any public document embodying the sale of the property from Gatchalian to Manzulin and from the latter to Cagatao. They also argued that even if a homestead patent was indeed issued to Gatchalian, the same became void when he (Gatchalian) did not occupy the land himself, in violation of Commonwealth Act No. 141 (Public Land Act of 1936).¹³

Pending litigation, the RTC issued a writ of preliminary injunction restraining the respondents from disturbing Cagatao's possession of the land in question during the pendency of the case.¹⁴ In its Decision, dated June 22, 2001, however, the RTC ruled that Cagatao's evidence was insufficient to prove his ownership over the land in question because Manzulin never acquired a lawful title to the property from his predecessor, Gatchalian. The court explained that the transfer to Manzulin was null and void because it failed to comply with Section 20¹⁵ of Commonwealth Act No. 141. As to the supposed conveyance of the lot from Manzulin to Cagatao, it could not have been valid because the document alleged to be a deed of sale was a private document which did not conclusively establish his (Cagatao's) right to the property because of the requirement in contract law that the transmission of rights over an immovable property must be contained in a public document.

The RTC, after noting that Cagatao had no valid title, ruled that his claim of possession could not prevail over the claim of ownership by Spouses Fernandez as evidenced by a certificate of title. Accordingly, it upheld the validity of the deed of sale, dated January 17, 1996, between Spouses Fernandez and Carlos. It, however, nullified the transfer from Spouses Fernandez to Fernandez Siblings because Avelina herself admitted that she and her husband never signed the deed of sale which transferred

¹² Id. at 254.

¹³ Id. at 255.

¹⁴ Id. at 184.

¹⁵ SECTION 20. If at any time after the approval of the application and before the patent is issued, the applicant shall prove to the satisfaction of the Director of Lands that he has complied with all the requirements of the law, but cannot continue with his homestead, through no fault of his own, and there is a bona fide purchaser for the rights and improvements of the applicant on the land, and that the conveyance is not made for purposes of speculation, then the applicant, with the previous approval of the Director of Lands may transfer his rights to the land and improvements to any person legally qualified to apply for a homestead, and immediately after such transfer, the purchaser shall file a homestead application for the land so acquired and shall succeed the original homesteader in his rights and obligations beginning with the date of the approval of said application of the purchaser. Any person who has so transferred his rights may not again apply for a new homestead. Every transfer made without the previous approval of the Director of Lands shall be null and void and shall result in the cancellation of the entry and the refusal of the patent.

ownership to their children. Finally, the RTC sustained the validity of TCT No. T-12159-A in the name of Carlos, theorizing that someone must have applied for an original certificate of title from which the said title was derived.¹⁶ Thus, the RTC disposed:

1. the dismissal of the plaintiff's [Cagatao's] Complaint;
2. the Cancellation and setting aside of the writ of preliminary injunction;
3. the Register of Deeds to cancel Transfer Certificate of Title No. T-249437 issued in favor of Marvin, Marson and Marjun, all surnamed Fernandez, the Deed of Sale (Exhibit "C") dated January 22, 1996 being null and void; and
4. declaring the Deed of Sale (Exhibit "2") dated January 17, 1996 in favor of Sps. Avelina M. Fernandez and Ernesto S. Fernandez and TCT No. T-12159-A registered in the name of Emmaculada G. Carlos as valid and binding.

SO ORDERED.¹⁷

Aggrieved, Cagatao elevated the case to the CA. On July 29, 2005, the CA partly granted his petition and modified the decision of the RTC. The CA deemed as speculative and without legal basis¹⁸ the trial court's conclusion that Gatchalian might have abandoned his homestead patent, leaving it open for another person to apply for a patent and secure an original certificate of title from which TCT No. T-12159-A in the name of Carlos originated. In other words, the ownership of the land remained with Gatchalian by virtue of the homestead patent in his name, and neither the alleged transfer to Manzulin nor the theory of abandonment of the RTC could divest him of said title.

In addition, the CA took note of Entry No. 7259 in the memorandum of encumbrances at the dorsal side of TCT No. T-12159-A, which disclosed the existence of another deed of sale entered into by Carlos and the respondents on January 17, 1979. Holding that the two sales could not overlap, it invalidated the January 17, 1996 deed of sale between Carlos and Spouses Fernandez. It also considered as void the sale of the same property by Almonte to Spouses Fernandez and observed that neither the latter nor the Fernandez siblings invoked this transaction as the basis of their claim.

¹⁶ *Rollo*, pp. 190-192.

¹⁷ *Id.* at 193.

¹⁸ *Id.* at 259.

Although the CA declared that Cagatao's claim of ownership could not be recognized, it nevertheless ruled that his possession could not be disturbed because only the true owner could challenge him for possession of the subject property. Leaving the parties where it found them, the CA disposed:

1) the Register of Deeds is ORDERED TO CANCEL Transfer Certificate of Title No. 249437 issued in favor of Marvin, Marson and Marjun, all surnamed Fernandez; 2) the Deed of Sale dated January 17, 1996 between Emmaculada Carlos and the Fernandez spouses is declared NULL and VOID; 3) the Deed of Sale dated January 22, 1996 between defendants-appellees Fernandez siblings and the Fernandez spouses is DECLARED NULL and VOID; 4) the Deed of Sale dated April 3, 1993 between the Fernandez spouses and Guillermo Almonte and Arthur Aguilar is likewise DECLARED NULL and VOID; 5) the verbal sale between Delfin Manzulin and plaintiff-appellant is DECLARED NULL and VOID. The Writ of Preliminary Injunction against defendants-appellants Fernandez siblings is made PERMANENT.¹⁹

The respondents moved for a reconsideration of the CA decision on August 24, 2005. On March 9, 2006, the CA rendered the questioned *Amended Decision*, reversing itself when it ruled that the deed of sale between Carlos and Spouses Fernandez could not be declared null and void, especially because Carlos was not impleaded as a party in the case. It, however, stressed that Cagatao's possession of the subject property should be respected. Any party, including the respondents, who would like to assert their claim of ownership or a better right over the lot should assert their right in an appropriate action in court against him.

Not in conformity, Cagatao moved for reconsideration but the motion was denied by the CA in its Resolution, dated August 7, 2006.²⁰

Hence, this petition.

The Issues

In his petition, Cagatao raises the following issues:

I. WHETHER OR NOT THE COURT OF APPEALS ERRED IN NOT RULING THAT THE RECONSTITUTED TCT NO. 12159-A IN THE NAME OF EMMACULADA CARLOS IS VOID.

¹⁹ Id. at 263-264.

²⁰ Id. at 47-48.

- II. WHETHER OR NOT THE COURT OF APPEALS ERRED IN NOT RULING THAT HOMESTEAD TITLE HOLDER JUAN GATCHALIAN AND THE PETITIONER AS HIS SUCCESSORS-IN-INTEREST ARE THE TRUE OWNERS OF THE SUBJECT PROPERTY.**
- III. WHETHER OR NOT THE COURT OF APPEALS ERRED IN RENDERING THE CHALLENGED AMENDED DECISION BY DELETING FROM THE DISPOSITIVE PORTION OF THE ORIGINAL DECISION ITS RULING THAT THE DEED OF SALE BETWEEN EMMACULADA CARLOS AND RESPONDENTS SPOUSES FERNANDEZ OVER THE SUBJECT PROPERTY IS VOID.²¹**

The Court's Ruling

Cagatao's entire petition revolves around the assertion that the reconstituted TCT No. 12159-A in the name of Carlos was a fake and should have been declared void. This claim is based on the existence of an allegedly falsified annotation (Entry No. 7259), the speculative nature of the RTC's declaration that the said title appeared valid, and the fact that the respondents were not able to present an affidavit of loss or any proof of judicial reconstitution.²²

The Court cannot accommodate the petitioner.

*The validity of TCT No. 12159-A
cannot be attacked collaterally;
Carlos is an indispensable party*

From the arguments of Cagatao, it is clear that he is assailing the validity of the title of Carlos over the land in question. Section 48 of P.D. No. 1529 clearly states that "a certificate of title shall not be subject to collateral attack. It cannot be altered, modified, or cancelled except in a direct proceeding in accordance with law." An attack on the validity of the title is considered to be a collateral attack when, in an action to obtain a different relief and as an incident of the said action, an attack is made against the judgment granting the title.²³ Cagatao's original complaint before the RTC was for the cancellation of TCT No. T-249437 in the name of the

²¹ Id. at 362.

²² Id. at 363-365.

²³ *Casimiro Development Corporation v. Mateo*, G.R. No. 175485, July 27, 2011, 654 SCRA 676.

Fernandez Siblings and the nullification of the deeds of sale between the Fernandez Siblings and Spouses Fernandez, and the earlier one between the latter and Almonte and Aguilar. Nowhere in his complaint did Cagatao mention that he sought to invalidate TCT No. 12159-A. It was only during the course of the proceedings, when Spouses Fernandez disclosed that they had purchased the property from Carlos, that Cagatao thought of questioning the validity of TCT No. 12159-A.

Although the CA correctly ruled that the transfer from Gatchalian to Manzulín was invalid, the existence of a valid Torrens title in the name of Carlos which has remained unchallenged before the proper courts has made irrelevant the issue of whether Gatchalian and his successors-in-interest should have retained ownership over the property. This is pursuant to the principle that a Torrens title is irrevocable and its validity can only be challenged in a direct proceeding. The purpose of adopting a Torrens System in our jurisdiction is to guarantee the integrity of land titles and to protect their indefeasibility once the claim of ownership is established and recognized. This is to avoid any possible conflicts of title that may arise by giving the public the right to rely upon the face of the Torrens title and dispense with the need of inquiring further as to the ownership of the property.²⁴ Hence, a Torrens certificate of title is indefeasible and binding upon the whole world unless it is nullified by a court of competent jurisdiction in a direct proceeding for cancellation of title.²⁵

Moreover, Carlos, as the registered owner of the lot whose title Cagatao seeks to nullify, should have been impleaded as an indispensable party. Section 7, Rule 3 of the 1997 Rules of Civil Procedure defines indispensable parties to be “parties in interest without whom no final determination can be had of an action.” It is clear in this case that Cagatao failed to include Carlos in his action for the annulment of TCT No. 12159-A. Basic is the rule in procedural law that no man can be affected by any proceeding to which he is a stranger and strangers to a case cannot be bound by a judgment rendered by the court.²⁶ It would be the height of injustice to entertain an action for the annulment of Carlos’ title without giving her the opportunity to present evidence to support her claim of ownership through title. In addition, it is without question a violation of the constitutional guarantee that no person shall be deprived of property without due process of law.²⁷

²⁴ Id.

²⁵ *Co v. Militar*, 466 Phil. 217, 224 (2004).

²⁶ *Atilano II v. Asaali*, G.R. No. 174982, September 10, 2012.

²⁷ *National Housing Authority v. Evangelista*, 497 Phil 762, 771 (2005).

Thus, should Cagatao wish to question the ownership of the subject lot of Carlos and Spouses Fernandez, he should institute a direct action before the proper courts for the cancellation or modification of the titles in the name of the latter two. He cannot do so now because it is tantamount to a collateral attack on Carlos' title, which is expressly prohibited by law and jurisprudence.

Deed of sale between Carlos and Spouses Fernandez is presumed valid

The CA did not err in amending its decision and recognizing the validity of the sale between Spouses Fernandez and Carlos. Time and again, the Court has repeatedly ruled that a person dealing with a registered land has the right to rely on the face of the Torrens title and need not inquire further, unless the party concerned has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make such an inquiry. The indefeasibility of a Torrens title as evidence of lawful ownership of the property protects buyers in good faith who rely on what appears on the face of the said certificate of title. Moreover, a potential buyer is charged with notice of only the burdens and claims annotated on the title.²⁸ As explained in *Sandoval v. Court of Appeals*,²⁹

. . . a person dealing with registered land has a right to rely on the Torrens certificate of title and to dispense with the need of inquiring further except when the party has actual knowledge of facts and circumstances that would impel a reasonably cautious man to make such inquiry or when the purchaser has knowledge of a defect or the lack of title in his vendor or status of the title of the property in litigation. The presence of anything which excites or arouses suspicion should then prompt the vendee to look beyond the certificate and investigate the title of the vendor appearing on the face of said certificate. One who falls within the exception can neither be denominated an innocent purchaser for value nor a purchaser in good faith; and hence does not merit the protection of the law.³⁰

In this case, there has been no showing that Spouses Fernandez were aware of any irregularity in Carlos' title that would make them suspicious and cause them to doubt the legitimacy of Carlos' claim of ownership, especially because there were no encumbrances annotated on Carlos' title. At any rate, that is the proper subject of another action initiated for the purpose of questioning Carlos' certificate of title from which Spouses

²⁸ *Clemente v. Razo*, 493 Phil. 119, 128 (2005).

²⁹ 329 Phil. 48, 60-61 (1996)

³⁰ *Id.*

Fernandez derived their ownership because, otherwise, the title of Spouses Fernandez would become indefeasible. The reason for this is extensively explained in *Tenio-Obsequio v. Court of Appeals*:³¹

The Torrens system was adopted in this country because it was believed to be the most effective measure to guarantee the integrity of land titles and to protect their indefeasibility once the claim of ownership is established and recognized. If a person purchases a piece of land on the assurance that the seller's title thereto is valid, he should not run the risk of being told later that his acquisition was ineffectual after all. This would not only be unfair to him. What is worse is that if this were permitted, public confidence in the system would be eroded and land transactions would have to be attended by complicated and not necessarily conclusive investigations and proof of ownership. The further consequence would be that land conflicts could be even more numerous and complex than they are now and possibly also more abrasive, if not even violent. The Government, recognizing the worthy purposes of the Torrens system, should be the first to accept the validity of titles issued thereunder once the conditions laid down by the law are satisfied.³²

While the Court finds that the validity of TCT No. 12159-A cannot be attacked collaterally and that Cagatao had not sufficiently established his claim of ownership over the subject property, it agrees with the CA that he, the current possessor, shall remain to be so until such time that his possession is successfully contested by a person with a better right.

WHEREFORE, the petition is **DENIED**.

SO ORDERED.


JOSE CATRAL MENDOZA
Associate Justice

³¹ G.R. No. 107967, March 1, 1994, 230 SCRA 550.

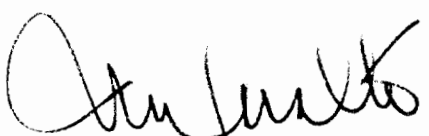
³² *Id.*

WE CONCUR:



PRESBITERO J. VELASCO, JR.

Associate Justice
Chairperson



DIOSDADO M. PERALTA

Associate Justice



ROBERTO A. ABAD


Associate Justice



MARVIC MARIO VICTOR F. LEONEN
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.

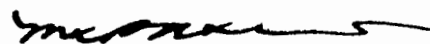


PRESBITERO J. VELASCO, JR.

Associate Justice
Chairperson, Third Division

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. A. SERENO
Chief Justice