



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

**SPOUSES DOMINADOR PERALTA
AND OFELIA PERALTA,**
Petitioners,

G. R. No. 183448

- versus -

**HEIRS OF BERNARDINA
ABALON,** represented by
MANSUETO ABALON,
Respondents.

X -----X

**HEIRS OF BERNARDINA
ABALON,** represented by
MANSUETO ABALON,
Petitioners,

G. R. No. 183464

- versus -

**MARISSA ANDAL, LEONIL
ANDAL, ARNEL ANDAL,
SPOUSES DOMINDOR PERALTA
AND OFELIA PERALTA, and
HEIRS of RESTITUTO RELLAMA,
represented by his children ALEX,
IMMANUEL, JULIUS and SYLVIA,
all surnamed RELLAMA.**

Present:

SERENO, *CJ.*, Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
VILLARAMA, JR., and
REYES, *JJ.*

Promulgated:

JUN 30 2014

X -----X

DECISION

SERENO, *CJ.*:

Before us are the consolidated Petitions for Review on Certiorari under Rule 45 of the Rules of Court assailing the 30 May 2007 Decision¹ of

¹ Decision in CA-G.R. CV No. 85542 dated 30 May 2007 penned by Associate Justice Amelita G. Tolentino and concurred in by Associate Justices Lucentino N. Tagle and Sixto C. Marella, Jr., *rollo* (G.R. No. 183448), pp.70-84.

the Court of Appeals (CA) Seventeenth Division in CA-G.R. CV No. 85542. The CA had reversed the 14 April 2005 Decision² of the Regional Trial Court (RTC), Fifth Judicial Region of Legaspi City, Branch 5, in Civil Case No. 9243.

The civil case before the RTC of Legaspi City involved a parcel of land registered under the name of Bernardina Abalon and fraudulently transferred to Restituto Rellama and who, in turn, subdivided the subject property and sold it separately to the other parties to this case – Spouses Dominador and Ofelia Peralta; and Marissa, Leonil and Arnel, all surnamed Andal. Thereafter, Spouses Peralta and the Andals individually registered the respective portions of the land they had bought under their names. The heirs of Bernardina were claiming back the land, alleging that since it was sold under fraudulent circumstances, no valid title passed to the buyers. On the other hand, the buyers, who were now title holders of the subject parcel of land, averred that they were buyers in good faith and sought the protection accorded to them under the law.

THE FACTS

The RTC and the CA have the same findings of fact, but differ in their legal conclusions. There being no factual issues raised in the Petitions, we adopt the findings of fact of the CA in CA-G.R. No. 85542, as follows:

The subject parcel of land, described as Lot 1679 of the Cadastral Survey of Legaspi, consisting of 8,571 square meters, was originally covered by Original Certificate of Title (OCT) No. (O) 16 and registered in the name of Bernardina Abalon (Abalon). It appears that a Deed of Absolute Sale was executed over the subject property in favor of Restituto M. Rellama (Rellama) on June 10, 1975. By virtue of such conveyance OCT No. (O) 16 was cancelled and in lieu thereof Transfer Certificate of Title (TCT) No. 42108 was issued in the name of Rellama. The subject property was then subdivided into three (3) portions: Lot 1679-A, Lot 1679-B, Lot 1679-C. Lot 1679-A was sold to Spouses Dominador P. Peralta, Jr. and Ofelia M. Peralta (Spouses Peralta) for which reason TCT No. 42254 was issued in their names. Lot 1679-B, on the other hand, was first sold to Eduardo Lotivio (Lotivio) who thereafter transferred his ownership thereto to Marissa Andal, Arnel Andal, and Leonil Andal (the Andals) through a Deed of Absolute Sale dated October 9, 1995. On even date, TCT No. 42482 was issued in the name of the Andals. The Andals likewise acquired Lot 1679-C as evidenced by the issuance of TCT No. 42821 in their favor on December 27, 1995.

Claiming that the Deed of Absolute Sale executed by Abalon in favor of Rellama was a forged document, and claiming further that they acquired the subject property by succession, they being the nephew and niece of Abalon who died without issue, plaintiff-appellees Mansueta Abalon and Amelia Abalon filed the case below against Rellama, Spouses

² RTC Decision dated 14 April 2005 in Civil Case No. 9243 penned by Judge Pedro R. Soriano, *rollo* (G.R. No. 183448), pp. 65-68.

Peralta, and the Andals, the herein defendants-appellants and the Bank of the Philippines [sic] Islands which was later dropped as a party defendant.

It was alleged in their Complaint and subsequent Amended Complaint, under five separate causes of action, that Rellama was able to cause the cancellation of OCT No. (O) 16, and in lieu thereof the issuance of TCT No. 42108 in his own name from which the defendants-appellants derived their own titles, upon presentation of a xerox copy of the alleged forged deed of absolute sale and the order granting the issuance of a second owner's duplicate copy of OCT No. (O) 16 in his favor in Miscellaneous Cadastral Case No. 10648, which he had filed on the pretext that Lot 1679 covered by OCT No. (O) 16 was sold to him and that the owner's duplicate copy of the said title got lost in 1976 after the same was delivered to him. They averred that the owner's duplicate copy of OCT NO. (O) 16 had always been with Abalon and that upon her death, it was delivered to them. Likewise, they alleged that Abalon had always been in possession of the subject property through her tenant Pedro Bellen who was thereafter succeeded by his wife, Ruperta Bellen, and then his son, Godofredo Bellen. On the other hand, they said that Rellama had never set foot on the land he was claiming. They further alleged that after the ownership over the subject property was transferred to them upon the death of Abalon, they took possession thereof and retained Godofredo as their own tenant. However, they averred that in 1995 the defendants-appellants were able to wrest possession of the subject property from Godofredo Bellen. They alleged that the defendants-appellants are not buyers in good faith as they were aware that the subject land was in the possession of the plaintiffs-appellees at the time they made the purchase. They thus claim that the titles issued to the defendants-appellants are null and void.

In his answer, Rellama alleged that the deed of absolute sale executed by Abalon is genuine and that the duplicate copy of OCT No. (O) 16 had been delivered to him upon the execution of the said deed of transfer.

As for Spouses Peralta and the Andals, who filed their separate answers to the complaint, they mainly alleged that they are buyers in good faith and for value.

During the trial, Rellama passed away. He was substituted by his heirs.

After the plaintiffs-appellees rested their case, instead of presenting their own evidence, the defendants-appellants and the Heirs of Restituto Rellama, on different occasions, filed a demurrer to evidence.

On April 14, 2005, the court a quo rendered judgment in favor of the plaintiffs-appellees and ordered the restoration of OCT No. (O) 16 in the name of Abalon and the cancellation of the titles issued to the defendants-appellants. The fact that only a xerox copy of the purported deed of sale between Rellama and Abalon was presented before the Register of Deeds for registration and the absence of such xerox copy on the official files of the said Office made the court a quo conclude that the said document was a mere forgery. On the other hand, the court a quo noted that the duplicate copy of OCT No. (O) 16 in the hands of the plaintiffs-appellees bears [sic] the perforated serial number B 221377, which it held is a convincing proof of its authenticity and genuineness. It

thus stated that “Miscellaneous Cadastral Case No. 10648 is a (mere) strategem [sic] fraudulently concocted ... for the issuance of a fabricated (second) owner’s duplicate certificate of Oct No. (O) 16” since the owner’s duplicate copy of OCT No. (O) 16 has not been lost at all. It said that any subsequent registration procured by the presentation of such forged instrument is null and void. The dispositive portion of the court a quo’s decision reads:

WHEREFORE, [p]remises [c]onsidered, judgment is rendered as follows, to wit:

1. Ordering the restoration of Original Certificate of Title No. (O) 16 embracing Lot 1679 in the name of Bernardina Abalon into the official files of the Registry of Deeds of Legaspi City – a copy of the owner’s duplicate certificate embodying the technical description of Lot 1679 forming official part of the record as Exhibit “D” – as well as ordering the cancellation of any and all transfer certificates of title succeeding Original Certificate of title No. (O) 16 – including Transfer Certificates (sic) of Title Nos. 42108, 42254, 42255, 42256, 42821 [,] and 42482;
2. Ordering the defendants Marissa Andal, Leonil Andal, Arnel Andal[,], and the spouses Dominador and Ofelia Peralta to vacate Lot 1679 and to peacefully surrender such lot to the plaintiffs;
3. Ordering the defendants to pay the plaintiffs the amount of ₱50,000.00 as litigation expenses; and
4. Ordering the defendants to pay the costs of suit.

The counterclaims by [sic] the defendants are all dismissed.

SO ORDERED.

Spouses Peralta and the Andals filed their separate Notices of Appeal and thereafter, upon approval, filed their respective Defendants-Appellants’ Briefs. The Heirs of Rellama, on the other hand, opted not to challenge the ruling of the lower court.³

The Andals and Spouses Peralta – appellants in CA-G.R. CV No. 85542 – raised several issues, which the CA summarized as follows:

1. Whether the Deed of Absolute Sale executed by Abalon in favor of Rellama was spurious
2. Whether the Andals and Spouses Peralta were buyers in good faith and for value

³ *Rollo* (G.R. No. 183448), pp. 70-74.

3. Who among the parties were entitled to their claims for damages.⁴

THE RULING OF THE COURT OF APPEALS

On 30 May 2007, the Seventeenth Division of the Court of Appeals promulgated its assailed judgment setting aside the RTC Decision. The CA ruled that the circumstances surrounding the sale of the subject property showed badges of fraud or forgery against Rellama. It found that Abalon had not parted with her ownership over the subject property despite the claim of Rellama that they both executed a Deed of Absolute Sale. As proof, the CA pointed out the existence of a notarized contract of leasehold executed by Abalon with Ruperta Bellen on 11 June 1976. The genuineness and due execution of the said leasehold agreement was uncontroverted by the parties. On this basis, the appellate court concluded that Abalon could not have leased the subject parcel of land to Bellen if the former had parted with her ownership thereof.⁵

The CA also found no evidence to show that Rellama exercised dominion over the subject property, because he had not introduced improvements on the property, despite claiming to have acquired it in 1975.⁶ Further, the CA noted that he did not cause the annotation of the Deed of Sale, which he had executed with Abalon, on OCT No. (O) 16. It observed that when the original copy of OCT No. (O) 16 was allegedly lost in 1976, while Rellama was on his way to Legaspi City to register the title to his name, it took him almost 20 years to take steps to judicially reconstitute a copy thereof. To the appellate court, these circumstances cast doubt on the veracity of Rellama's claim of ownership over such a significant property, which was almost a hectare.⁷

The CA also ruled that the heirs of Bernardina Abalon had the legal standing to question the sale transaction between Rellama and their predecessor-in-interest. It concluded that the heirs of Abalon had acquired the subject property by ordinary acquisitive prescription and thus had every right to attack every document that intended to divest them of ownership thereof,⁸ which in this case was the Deed of Sale that Bernardina executed in favor of Rellama. Lastly, the appellate court considered the Spouses Peralta as buyers in bad faith for relying on a mere photocopy of TCT No. 42108 when they bought the property from Rellama.⁹ On the other hand, it accorded the Andals the presumption of good faith, finding no evidence that would rebut this presumption.¹⁰

⁴ Id. at 76

⁵ Id. at 78.

⁶ Id.

⁷ Id. at 79.

⁸ Id.

⁹ Id. at 82.

¹⁰ Id. at 83.

The dispositive portion of the assailed CA Decision in CA-G.R. CV No. 85542 is as follows:

WHEREFORE, the assailed decision is SET ASIDE and a new judgment is rendered as follows:

1. Transfer Certificate of Title No. 42482 and Transfer Certificate of Title No. 42821, both in the names of Andals, are held legal and valid.

2. Transfer Certificate of Title No. 42254 registered in the names of Spouses Peralta is cancelled for being null and void. Hence, they are ordered to vacate the land covered thereby and to surrender possession thereof in favor of the plaintiffs-appellees.

SO ORDERED.¹¹

The heirs of Abalon filed a Motion for Reconsideration of the 30 May 2007 Decision, insofar as the CA declared the Andals to be buyers in good faith of the subject property and, thus, that the land title issued in their favor was valid. Spouses Peralta, for their part, filed a Motion for Partial Reconsideration of the said CA Decision pertaining to the portion that declared them as buyers in bad faith which accordingly nullified the title issued to them.

On 10 June 2008, the CA denied the Motions for Partial Reconsideration of the movants for lack of merit.¹²

On 11 August 2008, Spouses Peralta filed with this Court a Petition for Review under Rule 45 of the Rules of Court assailing the 30 May 2007 Decision in CA-G.R. CV No. 85542.¹³ On the same day, the heirs of Bernardina Abalon, represented by Mansueto Abalon, filed a similar Petition questioning the portion of the mentioned CA Decision declaring the validity of the title issued to the Andals, who were adjudged by the appellate court as buyers in good faith.¹⁴

THE ISSUES

The Petition filed by Spouses Peralta, docketed as G.R. No. 183448, lists the following issues:

a) The case for annulment should have been dismissed because the purported Deed of Sale executed by Abalon and Rellama was not introduced in evidence and thus, forgery was not proven.

¹¹ Id. at 83-84.

¹² Id. at 61-63.

¹³ Id. at 10-37.

¹⁴ *Rollo* (G.R. No. 183464), pp. 17-45

b) The heirs of Abalon are not forced heirs of Bernardina Abalon; hence, they do not have the legal personality to file the action to annul the subject Deed of Sale.

c) The heirs of Abalon failed to prove that they had inherited the subject property.

d) Spouses Peralta are buyers in good faith and, thus title to their portion of the subject property must be upheld¹⁵

As for the heirs of Abalon, their Petition, docketed as G.R. No. 183464, raises the following issues:

a) The Andals cannot be considered as buyers in good faith by simply applying the ordinary presumption in the absence of evidence showing the contrary.

b) The CA erred in applying in favor of the Andals, the doctrine that a forged instrument may become the root of a valid title in the hands of an innocent purchaser for value, because Abalon never parted with her possession of the valid and uncanceled title over the subject property

c) The CA erred in declaring the validity of the title issued in the names of the Andals, because Rellama was bereft of any transmissible right over the portion of the property he had sold to them.¹⁶

THE COURT'S RULING

We deny the Petitions and affirm the ruling of the CA.

The main issue to be resolved in this case is whether a forged instrument may become the root of a valid title in the hands of an innocent purchaser for value, even if the true owner thereof has been in possession of the genuine title, which is valid and has not been cancelled.

It is well-settled that “a certificate of title serves as evidence of an indefeasible and incontrovertible title to the property in favor of the person whose name appears therein. The real purpose of the Torrens system of land registration is to quiet title to land and put a stop forever to any question as to the legality of the title.”¹⁷

¹⁵ *Rollo* (G.R. No. 183448), p. 14.

¹⁶ *Rollo* (G.R. No. 183464), pp. 28-29.

¹⁷ *Pioneer Insurance and Surety Corporation vs. Heirs of Vicente Coronado*, G.R. No. 180357, 04 August 2009, 595 SCRA 263, 272.

In *Tenio-Obsequio v. Court of Appeals*,¹⁸ we explained the purpose of the Torrens system and its legal implications to third persons dealing with registered land, as follows:

The main purpose of the Torrens system is to avoid possible conflicts of title to real estate and to facilitate transactions relative thereto by giving the public the right to rely upon the face of a Torrens certificate of title and to dispense with the need of inquiring further, except when the party concerned has actual knowledge of facts and circumstances that should impel a reasonably cautious man to make such further inquiry. Where innocent third persons, relying on the correctness of the certificate of title thus issued, acquire rights over the property, the court cannot disregard such rights and order the total cancellation of the certificate. The effect of such an outright cancellation would be to impair public confidence in the certificate of title, for everyone dealing with property registered under the Torrens system would have to inquire in every instance as to whether the title has been regularly or irregularly issued by the court. Every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go beyond the certificate to determine the condition of the property.

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.

The Torrens system was intended to guarantee the integrity and conclusiveness of the certificate of registration, but the system cannot be used for the perpetration of fraud against the real owner of the registered land. The system merely confirms ownership and does not create it. It cannot be used to divest lawful owners of their title for the purpose of transferring it to another one who has not acquired it by any of the modes allowed or recognized by law. Thus, the Torrens system cannot be used to protect a usurper from the true owner or to shield the commission of fraud or to enrich oneself at the expense of another.¹⁹

It is well-established in our laws and jurisprudence that a person who is dealing with a registered parcel of land need not go beyond the face of the

¹⁸ G.R. No. 107967, 01 March 1994, 230 SCRA 550.

¹⁹ *Heirs of Marcelino Doronio v. Heirs of Fortunato Doronio*, G.R. No. 169454, 27 December 2007, 541 SCRA 479, 506.

title. A person is only charged with notice of the burdens and claims that are annotated on the title.²⁰ This rule, however, admits of exceptions, which we explained in *Clemente v. Razo*:²¹

Any buyer or mortgagee of realty covered by a Torrens certificate of title, in the absence of any suspicion, is not obligated to look beyond the certificate to investigate the titles of the seller appearing on the face of the certificate. And, he is charged with notice only of such burdens and claims as are annotated on the title.

We do acknowledge that the rule thus enunciated is not cast in stone. For, indeed, there are exceptions thereto. Thus, in *Sandoval vs. CA*, we made clear the following:

The aforesaid principle admits of an unchallenged exception: that 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 of sufficient facts to induce a reasonably prudent man to inquire into the 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.²²

Thus, the determination whether one is a buyer in good faith or can be considered an innocent purchaser for value becomes imperative. Section 55 of the Land Registration Act provides protection to an innocent purchaser for value²³ by allowing him to retain the parcel of land bought and his title is considered valid. Otherwise, the title would be cancelled and the original owner of the parcel of land is allowed to repossess it.

²⁰ *Tiongco v. Dela Merced*, 157 Phil. 92 (1972).

²¹ 493 Phil. 119 (2005).

²² *Id.* at 128.

²³ Land Registration Act, Section 55:

The production of the owner's duplicate certificate whenever any voluntary instrument is presented for registration shall be conclusive authority from the registered owner to the register of deeds to enter a new certificate or to make a memorandum of registration in accordance with such instrument, and the new certificate or memorandum shall be binding upon the registered owner and upon all persons claiming under him, in favor of every purchaser for value and in good faith: Provided, however, That in all cases of registration procured by fraud the owner may pursue all his legal and equitable remedies against the parties to such fraud, without prejudice, however, to the rights of any innocent holder for value of a certificate of title: And provided further, That after the transcription of the decree of registration on the original application, any subsequent registration under this Act procured by the presentation of a forged duplicate certificate, or of a forged deed or other instrument, shall be null and void. In case of the loss or theft of an owner's duplicate certificate, notice shall be sent by the owner or by someone in his behalf to the register of deeds of the province in which the land lies as soon as the loss or theft is discovered.

Jurisprudence has defined an innocent purchaser for value as one who buys the property of another without notice that some other person has a right to or interest therein and who then pays a full and fair price for it at the time of the purchase or before receiving a notice of the claim or interest of some other persons in the property. Buyers in good faith buy a property with the belief that the person from whom they receive the thing is the owner who can convey title to the property. Such buyers do not close their eyes to facts that should put a reasonable person on guard and still claim that they are acting in good faith.²⁴

The assailed Decision of the CA held that the Andals were buyers in good faith, while Spouses Peralta were not. Despite its determination that fraud marred the sale between Bernardina Abalon and Rellama, a fraudulent or forged document of sale may still give rise to a valid title. The appellate court reasoned that if the certificate of title had already been transferred from the name of the true owner to that which was indicated by the forger and remained as such, the land is considered to have been subsequently sold to an innocent purchaser, whose title is thus considered valid.²⁵ The CA concluded that this was the case for the Andals.

The appellate court cited *Fule v. Legare*²⁶ as basis for its ruling. In the said case, the Court made an exception to the general rule that a forged or fraudulent deed is a nullity and conveys no title. A fraudulent document may then become the root of a valid title, as it held in *Fule*:

Although the deed of sale in favor of John W. Legare was fraudulent, the fact remains that he was able to secure a registered title to the house and lot. It was this title which he subsequently conveyed to the herein petitioners. We have indeed ruled that a forged or fraudulent deed is a nullity and conveys no title (Director of Lands vs. Addison, 49 Phil., 19). However, we have also laid down the doctrine that there are instances when such a fraudulent document may become the root of a valid title. One such instance is where the certificate of title was already transferred from the name of the true owner to the forger, and while it remained that way, the land was subsequently sold to an innocent purchaser. For then, the vendee had the right to rely upon what appeared in the certificate (Inquimboy vs. Cruz, G.R. No. L-13953, July 28, 1960).

We have been constrained to adopt the conclusion here set forth because under the Torrens system, "registration is the operative act that gives validity to the transfer or creates a lien upon the land (Secs. 50 and 51, Land Registration Act). Consequently, where there was nothing in the certificate of title to indicate any cloud or vice in the ownership of the property, or any encumbrance thereon, the purchaser is not required to explore farther than what the Torrens title upon its face indicates in quest for any hidden defect or inchoate right that may subsequently defeat his right thereto. If the rule were otherwise, the efficacy and conclusiveness of the certificate of title which the Torrens system seeks to insure would entirely

²⁴ *Yared v. Tiongco*, G.R. No. 161360, 19 October 2011, 659 SCRA 545, 555.

²⁵ *Rollo* (G.R. No.183448), p. 80.

²⁶ 117 Phil. 367 (1963).

be futile and nugatory. (Reynes vs. Barrera, 68 Phil., 656; De Lara and De Guzman vs. Ayroso, 50 O.G. No 10, 4838). The public shall then be denied of its foremost motivation for respecting and observing the Land Registration Act. In the end, the business community stands to be inconvenienced and prejudiced immeasurably.

Furthermore, when the Register of Deeds issued a certificate of title in the name of John W. Legare, and thereafter registered the same, John W. Legare, insofar as third parties were concerned, acquired valid title to the house and lot here disputed. When, therefore, he transferred this title to the herein petitioners, third persons, the entire transaction fell within the purview of Article 1434 of the Civil Code. The registration in John W. Legare's name effectively operated to convey the properties to him.

After executing the Deed of Sale with Bernardina Abalon under fraudulent circumstances, Rellama succeeded in obtaining a title in his name and selling a portion of the property to the Andals, who had no knowledge of the fraudulent circumstances involving the transfer from Abalon to Rellama. In fact, the Decisions of the RTC and the CA show no factual findings or proof that would rebut the presumption in favor of the Andals as buyers in good faith. Thus, the CA correctly considered them as buyers in good faith and upheld their title.

The Abalons counter this ruling and allege that the CA erred in relying on *Fule* to justify its assailed Decision. They argue that *Torres v. Court of Appeals*²⁷ is the applicable ruling, because the facts therein are on all fours with the instant case.²⁸

In *Torres*, the subject property was covered by TCT No. 53628 registered in the name of Mariano Torres. His brother-in-law Francisco Fernandez, misrepresenting that the copy of the title had been lost, succeeded in obtaining a court Order for the issuance of another copy of TCT No. 53628. He then forged a simulated deed of sale purportedly showing that Torres had sold the property to him and caused the cancellation of TCT No. 53628, as well as the issuance of TCT No. 86018 in his name. Soon, Fernandez mortgaged the property to Mota. Upon learning of the fraud committed by Fernandez, Torres caused the annotation of an adverse claim on the former's copy and succeeded in having Fernandez's title declared null and void. Meanwhile, Mota was able to foreclose on Fernandez's real estate mortgage, as well as to cause the cancellation of TCT No. 86018 and the issuance of a new one – TCT No. 105953 – in her name.

The issue to be resolved in *Torres* was whether Mota can be considered an innocent mortgagee for value, and whether her title can be deemed valid. Ruling in the negative, the Court explained:

²⁷ 264 Phil. 1062 (1990).

²⁸ *Rollo* (G.R. No. 183464), p. 36.

There is nothing on the records which shows that Torres performed any act or omission which could have jeopardized his peaceful dominion over his realties. The decision under review, however, in considering Mota an innocent mortgagee protected under Section 65 of the Land Registration Law, held that Torres was bound by the mortgage. Inevitably, it pronounced that the foreclosure sale, where Mota was the highest bidder, also bound Torres and concluded that the certificate of title issued in the name of Mota prevails over that of Torres'. **As correctly pointed out by Torres, however, his properties were sold on execution, and not on foreclosure sale, and hence, the purchaser thereof was bound by his notice of adverse claim and lis pendens annotated at the back of Fernandez' TCT. Moreover, even if We grant Mota the status of an innocent mortgagee, the doctrine relied upon by the appellate court that a forged instrument may become the root of a valid title, cannot be applied where the owner still holds a valid and existing certificate of title covering the same interest in a realty.** The doctrine would apply rather when, as in the cases for example of *De la Cruz v. Fabie*, 35 Phil. 144 [1916], *Fule v. De Legare*, No. L-17951, February 28, 1963, 7 SCRA 351, and *Republic v. Umali*, G.R. No. 80687, April 10, 1989, the forger thru insidious means obtains the owner's duplicate certificate of title, converts it in his name, and subsequently sells or otherwise encumbers it to an innocent holder for value, for in such a case the new certificate is binding upon the owner (Sec. 55, Act 496; Sec. 53, P.D. No. 1529). But if the owner holds a valid and existing certificate of title, his would be indefeasible as against the whole world, and not that of the innocent holder's. "Prior tempore potior jure" as We have said in *Register of Deeds v. Philippine National Bank*, No. L-17641, January 30, 1965, 13 SCRA 46, citing *Legarda v. Saleeby*, 31 Phil. 590, *Roman Catholic Bishop v. Philippine Railway*, 49 Phil. 546, *Reyes v. Borbon*, 50 Phil. 791.²⁹ (Emphasis and underscoring supplied)

We do not agree with the contention of the Abalons that the ruling in *Torres* is controlling in this case. They quoted a portion in the said case that is clearly an obiter. In *Torres*, it was shown that Mariano had annotated an adverse claim on the title procured by Fernandez prior to the execution sale, in which Mota was the highest bidder. This Court declared her as a mortgagee in bad faith because, at the back of Fernandez's title, Torres made an annotation of the adverse claim and the notice of *lis pendens*. The annotation of the adverse claim was made while the forged document was still in the name of the forger, who in this case is Fernandez. That situation does not obtain in the instant case.

The records of the RTC and the CA have a finding that when Rellama sold the properties to the Andals, it was still in his name; and there was no annotation that would blight his clean title. To the Andals, there was no doubt that Rellama was the owner of the property being sold to them, and that he had transmissible rights of ownership over the said property. Thus, they had every right to rely on the face of his title alone.

²⁹ Id. at 1067.

The established rule is that a forged deed is generally null and cannot convey title, the exception thereto, pursuant to Section 55 of the Land Registration Act, denotes the registration of titles from the forger to the innocent purchaser for value. Thus, the qualifying point here is that there must be a complete chain of registered titles.³⁰ This means that all the transfers starting from the original rightful owner to the innocent holder for value – and that includes the transfer to the forger – must be duly registered, and the title must be properly issued to the transferee.

Contrary to what the Abalons would like to impress on us, *Fule* and *Torres* do not present clashing views. In *Fule*, the original owner relinquished physical possession of her title and thus enabled the perpetrator to commit the fraud, which resulted in the cancellation of her title and the issuance of a new one. The forged instrument eventually became the root of a valid title in the hands of an innocent purchaser for value. The new title under the name of the forger was registered and relied upon by the innocent purchaser for value. Hence, it was clear that there was a complete chain of registered titles.

On the other hand in *Torres*, the original owner retained possession of the title, but through fraud, his brother-in-law secured a court order for the issuance of a copy thereof. While the title was in the name of the forger, the original owner annotated the adverse claim on the forged instrument. Thus, before the new title in the name of the forger could be transferred to a third person, a lien had already been annotated on its back. The chain of registered titles was broken and sullied by the original owner's annotation of the adverse claim. By this act, the mortgagee was shown to be in bad faith.

In the instant case, there is no evidence that the chain of registered titles was broken in the case of the Andals. Neither were they proven to have knowledge of anything that would make them suspicious of the nature of Rellama's ownership over the subject parcel of land. Hence, we sustain the CA's ruling that the Andals were buyers in good faith. Consequently, the validity of their title to the parcel of the land bought from Rellama must be upheld.

As for Spouses Peralta, we sustain the ruling of the CA that they are indeed buyers in bad faith. The appellate court made a factual finding that in purchasing the subject property, they merely relied on the photocopy of the title provided by Rellama. The CA concluded that a mere photocopy of the title should have made Spouses Peralta suspicious that there was some flaw in the title of Rellama, because he was not in possession of the original copy. This factual finding was supported by evidence.

³⁰ Noblejas and Noblejas, REGISTRATION OF LAND TITLES AND DEEDS, 416 (2007 Rev. Ed.).

The CA pointed out Spouses Peralta's Answer to the Complaint of the Abalons in Case No. 9243 in the RTC of Legaspi City, Branch 5. In their Answer, they specifically alleged as follows:

2- These defendants [Spouses Peralta] acquired lot No. 1679-A by purchase in good faith and for value from Restituto Rellama under Doc. No. 11212, page No. 26, Book No. 60, Series of 1996 of Notary Public Atty. Otilio Bongon, Legaspi City on March 2, 1995 copy of which is attached as and made part of this answer as Exhibit "1;"

3- That these defendants were handed over by Rellama xerox [sic] copy of the Transfer Certificate of Title No. 42103 issued by the Register of Deed of Legaspi City on the 2nd day of August 1995 copy attached and made integral part as Exhibit "1-A" and also Original Certificate of Title No. (O) 16 as Exhibit "1-B"³¹

We have no reason to disturb this factual finding of the CA because it is supported by the evidence on record. Spouses Peralta filed a Petition for Review on Certiorari under Rule 45, which allows only questions of law to be raised. It is a settled rule that questions of fact are not reviewable in this kind of appeal. Under Rule 45, Section 1, "petitions for review on *certiorari* shall raise only questions of law which must be distinctly set forth."³² A question of fact arises when there is "as to the truth or falsehood of facts or when there is a need to calibrate the whole evidence considering mainly the credibility of the witnesses, the existence and relevancy of specific surrounding circumstances, as well as their relation to each other and to the whole, and the probability of the situation."³³ It is further pointed out that "the determination of whether one is a buyer in good faith is a factual issue, which generally is outside the province of this Court to determine in a petition for review."³⁴

Whether or not Spouses Peralta are buyers in good faith, is without a doubt, a factual issue. Although this rule admits of exceptions,³⁵ none of

³¹ RTC records, p. 33.

³² *Abalos v. Heirs of Vicente Torio*, G.R. No. 175444, 14 December 2011, 662 SCRA 450, 456.

³³ *Guy v. Court of Appeals*, G.R. No. 165849, 10 December 2007, 539 SCRA 584, 606-667.

³⁴ *Orquiola v. Court of Appeals*, 435 Phil. 323, 331 (2002).

³⁵ Among the recognized exceptions to the rule are the following:

- (a) When the findings are grounded entirely on speculation, surmises, or conjectures;
- (b) When the inference made is manifestly mistaken, absurd, or impossible;
- (c) When there is grave abuse of discretion;
- (d) When the judgment is based on a misapprehension of facts;
- (e) When the findings of facts are conflicting;
- (f) When in making its findings the CA went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee;
- (g) When the CA's findings are contrary to those by the trial court;
- (h) When the findings are conclusions without citation of specific evidence on which they are based;
- (i) When the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent;
- (j) When the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; or
- (k) When the CA manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion. *Spouses Andrada v. Pilhino Sales Corporation*, G.R. No. 156448, 23 February 2011 (644 SCRA 1, 10), as cited in *Abalos v., Heirs of Vicente Torio*, id.

these applies to their case. There is no conflict between the factual findings and legal conclusions of the RTC and those of the CA, both of which found them to be buyers in bad faith. The fact that they did not participate in the proceedings before the lower court does not help their case either.

On the issue of the legal standing of the Abalons to file this case, we find that the CA correctly upheld their standing as heirs of the deceased Bernardina Abalon. The appellate court ruled that during her lifetime, Bernardina Abalon had promised her heirs – siblings Mansueto and Amelia – that she would give them the subject property. A duplicate copy of OCT No. (O) 16 was delivered to them upon her death. Thus, the CA concluded that the two siblings acquired the subject property by ordinary prescription. Further, it deduced that the mode of transmission of the property from Bernardina to her nephew and niece was a form of donation *mortis causa*, though without the benefit of a will.³⁶ Despite this omission, it still held that Mansueto and Amelia acquired the subject property through ordinary acquisitive prescription because, since the death of their aunt Bernardina, they had been in possession of the property for more than 10 years that ripened into full ownership.³⁷

Under Article 975³⁸ of the Civil Code, siblings Mansueto and Amelia Abalon are the legal heirs of Bernardina, the latter having had no issue during her marriage. As such, they succeeded to her estate when she passed away. While we agree with the CA that the donation *mortis causa* was invalid in the absence of a will, it erred in concluding that the heirs acquired the subject property through ordinary acquisitive prescription. The subject parcel of land is a titled property; thus, acquisitive prescription is not applicable.³⁹ Upon the death of Bernardina, Mansueto and Amelia, being her legal heirs, acquired the subject property by virtue of succession, and not by ordinary acquisitive prescription.

WHEREFORE, the petitions in G.R. Nos. 183448 and 183464 are **DENIED** for lack of merit. The Decision in CA-G.R. CV No. 85542 is hereby **AFFIRMED**.

SO ORDERED.



MARIA LOURDES P. A. SERENO
Chief Justice, Chairperson

³⁶ *Rollo* (G.R. No. 183448), p. 79.

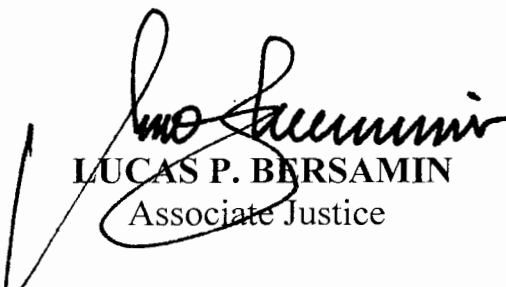
³⁷ *Id.* at 80.

³⁸ Civil Code of the Philippines, Article 975. When children of one or more brothers or sisters of the deceased survive, they shall inherit from the latter by representation, if they survive with their uncles or aunts. But if they alone survive, they shall inherit in equal portions.

³⁹ *Reyes v. Court of Appeals*, 328 Phil. 171 (1996).

WE CONCUR:


TERESITA J. LEONARDO-DE CASTRO
Associate Justice

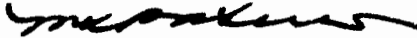

LUCAS P. BERSAMIN
Associate Justice


MARTIN S. VILLARAMA, JR.
Associate Justice


BIENVENIDO L. REYES
Associate Justice

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