



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

AMBROSIO ROTAIRO (substituted
by his spouse **MARIA RONSAYRO**
ROTAIRO, and his children **FELINA**
ROTAIRO, **ERLINDA ROTAIR**O
CRUZ, **EUDOSIA ROTAIR**O
CRIZALDO, **NIEVES ROTAIR**O
TUBIG, **REMEDIOS ROTAIR**O
MACAHILIG, **FELISA ROTAIR**O
LEGASPI, **JOSEFINA ROTAIR**O
TORREVILLAS, and **CRISENCIO**
R. ROTAIRO, **MARCIANA TIBAY**,
EUGENIO PUNZALAN, and
VICENTE DEL ROSARIO,
Petitioners,

G.R. No. 173632

Present:

VELASCO, JR., J.,
Chairperson,
PERALTA,
VILLARAMA, JR.,
REYES, and
JARDELEZA, JJ.

- versus -

ROVIRA ALCANTARA and
VICTOR ALCANTARA,
Respondents.

Promulgated:

September 29, 2014

Wifredo L. Lizaola

X-----X

DECISION

REYES, J.:

For review is the Decision¹ dated July 21, 2005 and Resolution² dated July 7, 2006 of the Court of Appeals (CA) in CA-G.R. CV No. 58455, which set aside the Decision³ dated December 27, 1996 of the Regional Trial Court (RTC) of Antipolo, Rizal, Branch 71 in Civil Case No. 672.

¹ Penned by Associate Justice Santiago Javier Ranada, with Associate Justices Marina L. Buzon and Mario L. Guariña III, concurring; *rollo*, pp. 19-28.

² Id. at 30-31.

³ Issued by Presiding Judge Felix S. Caballes; id. at 33-39.

Λ

Civil Case No. 672 was filed by the respondent Rovira Alcantara (Rovira) for the recovery of possession of a parcel of land in *Barangay San Andres*, Cainta, Rizal, measuring 2,777 square meters and originally titled under Transfer Certificate of Title (TCT) No. 481018. Said property was formerly owned by Rovira's father, Victor C. Alcantara (Alcantara), and Alfredo C. Ignacio (Ignacio), who mortgaged the property to Pilipinas Bank and Trust Company (Pilipinas Bank) in 1968. Two years after, the property was parcelled out by Alcantara and Ignacio, through their firm Wilfredo S. Ignacio & Company (Ignacio & Co.), and separately sold to different buyers. One of the buyers was Ambrosio Rotairo (Rotairo) who bought a 200-square meter portion on installment basis. Rotairo constructed his house on the property identified as Lot C-1, and after completing payments, a Deed of Absolute Sale was executed on September 25, 1979 in his favor by Ignacio & Co.⁴

In the meantime, Alcantara and Ignacio defaulted in their loan obligations causing Pilipinas Bank to foreclose the mortgage on the entire property. Without redemption being made by Alcantara and Ignacio, title was consolidated in the name of Pilipinas Bank, being the highest bidder during the auction sale. Pilipinas Bank then sold the property in a Deed of Absolute Sale dated June 6, 1975 to Rovira, who happens to be Alcantara's daughter.⁵

In 1988, Rovira filed her Amended Complaint in Civil Case No. 672 for recovery of possession and damages. After trial, the RTC dismissed Civil Case No. 672. The Decision dated December 27, 1996 provides for the following dispositive portion:

WHEREFORE, judgment is hereby rendered dismissing the complaint and defendant's counterclaim; and plaintiff, being the successor-in-interest of the subdivision owner, Wilfredo S. Ignacio, is ordered to issue the corresponding transfer certificate of title to defendant Ambrosio Rotairo pursuant to the provisions of PD [No.] 957.

SO ORDERED.⁶

The RTC ruled that the transaction between Ignacio & Co. and Rotairo was covered by Presidential Decree (P.D.) No. 957.⁷ Rovira, as "successor-in-interest of Wilfredo S. Ignacio [and Victor Alcantara] was well aware of the condition of the property which she bought from the Pilipinas Bank, because she lives near the land, and at the time she

⁴ Id. at 33-38.

⁵ Id. at 36; Exhibit "E," folder of exhibits, p. 41

⁶ Id. at 39.

⁷ THE SUBDIVISION AND CONDOMINIUM BUYERS' PROTECTIVE DECREE.

purchased it she was aware of the existing houses or structures on the land.”⁸ She was, therefore, not entitled to the relief prayed for in her complaint.

On appeal, the CA set aside the RTC decision and ordered the turnover of possession of the property to Rovira. The dispositive portion of the assailed CA Decision dated July 21, 2005 provides:

WHEREFORE, the decision appealed from is **SET ASIDE**. The Heirs of Ambrosio Rotairo and their assigns, are **ORDERED** to turn over possession of Lot C-1 to Rovira Alcantara. Third party defendants, William [sic] Ignacio and Victor Alcantara, are **ORDERED** to return the purchase price of P10,000.00 to the Heirs of Ambrosio Rotairo, with interest at the rate of 6% per annum until finality of this decision, and at the rate of 12% per annum thereafter until fully paid.

SO ORDERED.⁹

Petitioners sought reconsideration, which was denied by the CA in the assailed Resolution¹⁰ dated July 7, 2006.

In granting possession in favor of Rovira, the CA held that P.D. No. 957 is not applicable since the mortgage was constituted prior to the sale to Rotairo. According to the CA, Section 18¹¹ of P.D. No. 957 protects innocent lot buyers, and where there is a prior registered mortgage, the buyer purchases it with knowledge of the mortgage. In the case of Rotairo, P.D. No. 957 does not confer “more” rights to an unregistered buyer like him, as against a registered prior mortgagee like Pilipinas Bank and its buyer, Rovira.¹²

Hence, the present petition.

Petitioners raise the following issues:

⁸ *Rollo*, p. 38.

⁹ *Id.* at 27.

¹⁰ *Id.* at 30-31.

¹¹ Sec. 18. *Mortgages*. No mortgage on any unit or lot shall be made by the owner or developer without prior written approval of the Authority. Such approval shall not be granted unless it is shown that the proceeds of the mortgage loan shall be used for the development of the condominium or subdivision project and effective measures have been provided to ensure such utilization. The loan value of each lot or unit covered by the mortgage shall be determined and the buyer thereof, if any, shall be notified before the release of the loan. The buyer may, at his option, pay his installment for the lot or unit directly to the mortgagee who shall apply the payments to the corresponding mortgage indebtedness secured by the particular lot or unit being paid for, with a view to enabling said buyer to obtain title over the lot or unit promptly after full payment thereto.

¹² *Rollo*, pp. 26-27.

1. Whether or not, notwithstanding that the subject land is subdivision lot, Ambrosio Rotairo (father of the Petitioners), [a] buyer and builder in good faith should suffer, while the seller in bad faith Victor Alcantara should be benefited by his malicious acts.
2. Whether or not, Ambrosio Rotairo (father of the Petitioners), a buyer and builder in good faith should suffer while the seller in bad faith Victor Alcantara should be benefited by his malicious acts.¹³

Petitioners insist on the applicability of P.D. No. 957 in this case, and that the transaction between Rotairo and Ignacio & Co. should fall within the protection of the law. On the other hand, Rovira principally relies on the prior registration of the mortgage and the sale in her favor *vis-à-vis* the petitioners' unregistered transactions.

The first issue then that must be resolved is whether P.D. No. 957 is applicable in this case. But the more crucial issue before the Court is who, as between the petitioners and Rovira, has better right to the property in dispute?

Retroactive application of P.D. No. 957

The retroactive application of P.D. No. 957 to transactions entered into prior to its enactment in 1976 is already settled. In *Eugenio v. Exec. Sec. Drilon*,¹⁴ which involved a land purchase agreement entered into in 1972, the Court stated that the unmistakable intent of the legislature is to have P.D. No. 957 operate retrospectively. Moreover, the specific terms of P.D. No. 957 provide for its retroactive effect even to contracts and transactions entered into prior to its enactment. In particular, Section 21 of P.D. No. 957 provides:

Sec. 21. *Sales Prior to Decree.* In cases of subdivision lots or condominium units sold or disposed of **prior to the effectivity of this Decree**, it shall be incumbent upon the owner or developer of the subdivision or condominium project to complete compliance with his or its obligations as provided in the preceding section within two years from the date of this Decree unless otherwise extended by the Authority or unless an adequate performance bond is filed in accordance with Section 6 hereof.

Failure of the owner or developer to comply with the obligations under this and the preceding provisions shall constitute a violation punishable under Section 38 and 39 of this Decree. (Emphasis ours)

¹³ Id. at 12.

¹⁴ 322 Phil. 112 (1996).

In this case, the contract to sell between Rotairo and Ignacio & Co. was entered into in 1970, and the agreement was fully consummated with Rotairo's completion of payments and the execution of the Deed of Sale in his favor in 1979. Clearly, P.D. No. 957 is applicable in this case.

It was error for the CA to rule that the retroactive application of P.D. No. 957 is "warranted only where the subdivision is mortgaged *after* buyers have purchased individual lots."¹⁵ According to the CA, the purpose of Section 18 requiring notice of the mortgage to the buyers is to give the buyer the option to pay the instalments directly to the mortgagee; hence, if the subdivision is mortgaged *before* the lots are sold, then there are no buyers to notify.¹⁶ What the CA overlooked is that Section 21 requires the owner or developer of the subdivision project to complete compliance with its obligations within two years from 1976. The two-year compliance provides the developer the opportunity to comply with its obligation to notify the buyers of the existence of the mortgage, and consequently, for the latter to exercise their option to pay the instalments directly to the mortgagee.

Nevertheless, such concomitant obligation of the developer under Section 21 did not arise in this case. It must be noted that at the time of the enactment of P.D. No. 957 in 1976 and as early as 1974, Pilipinas Bank had already foreclosed the mortgage and bought the properties in the foreclosure sale. There was, thus, no mortgage to speak of such that Rotairo should be notified thereof so that he could properly exercise his option to pay the instalments directly to Pilipinas Bank.

Rovira is not a buyer in good faith

Notwithstanding the preceding discussion, the Court finds that Rovira cannot claim a better right to the property because she is not a buyer in good faith. Initially, it must be stated that the determination of whether one is a buyer in good faith is a factual issue, which generally cannot be determined by the Court in a petition for review filed under Rule 45.¹⁷ The rule, nonetheless, admits of exceptions, some of which are when the judgment of the CA is based on a misapprehension of facts or when the CA overlooked undisputed facts which, if properly considered, would justify a different conclusion.¹⁸ A review of this case shows that the CA failed to appreciate the relevance of certain undisputed facts, thus giving rise to its erroneous conclusion that Rovira has a better right to the property in dispute.

¹⁵ Rollo, p. 26.

¹⁶ Id.

¹⁷ *Spouses Dominador Peralta and Ofelia Peralta v. Heirs of Bernardina Abalon, represented by Mansueto Abalon*, G.R. No. 183448, June 30, 2014.

¹⁸ *Villamar v. People*, G.R. No. 178652, December 8, 2010, 637 SCRA 584, 591.

Rovira contended that the registered mortgage between Pilipinas Bank and Alcantara and Ignacio is superior to the unregistered contract to sell between Ignacio & Co. and Rotairo, which was sustained by the CA. The CA applied Section 50 of Act No. 496 or the Land Registration Act and ruled that since the sale to Rotairo was unregistered and subsequent to the registered mortgage, the latter was obligated to respect the foreclosure and eventual sale of the property in dispute, among others.¹⁹

Indeed, the rule is that as “[b]etween two transactions concerning the same parcel of land, the registered transaction prevails over the earlier unregistered right.”²⁰ This is in accord with Section 50 of the Land Registration Act,²¹ which provides:

Sec. 50. An owner of registered land may convey, mortgage, lease, charge, or otherwise deal with the same as fully as if it had not been registered. He may use forms of deeds, mortgages[,] leases, or other voluntary instruments like those now in use and sufficient in law for the purpose intended. But no deed, mortgage, lease, or other voluntary instrument, except a will purporting to convey or affect registered land, shall take effect as a conveyance or bind the land, but shall operate only as a contract between the parties and as evidence of authority to the clerk or register of deeds to make registration. **The act of registration shall be the operative act to convey and affect the land**, and in all cases under this Act the registration shall be made in the office of register of deeds for the province or provinces or city where the land lies. (Emphasis ours)

Section 51 of the Land Registration Act further states that “[e]very conveyance, mortgage, lease, lien, attachment, order, decree, instrument, or entry affecting registered land x x x, if registered x x x be **notice to all persons from the time of such registering** x x x.” “The principal purpose of registration is merely to notify other persons not parties to a contract that a transaction involving the property has been entered into.”²² Thus, it has been held that “registration in a public registry creates constructive notice to the whole world.”²³ Moreover, “[a] person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor, and he is not required to go beyond the certificate to determine the condition of the property.”²⁴

The rule, however, is not without recognized exceptions. “The conveyance shall not be valid against any person unless registered, except (1) the grantor, (2) his heirs and devisees, and (3) third persons having actual

¹⁹ *Rollo*, p. 25.

²⁰ *Sps. Macadangdang v. Sps. Martinez*, 490 Phil. 774, 780 (2005).

²¹ Subsequently amended in 1978 by P.D. No. 1529 or the Property Registration Decree. Section 50 was substantially reproduced in Section 51 of P.D. No. 1529.

²² *Gutierrez v. Mendoza-Plaza*, G.R. No. 185477, December 4, 2009, 607 SCRA 807, 817.

²³ *Gonzales v. Court of Appeals*, 411 Phil. 232, 240 (2001).

²⁴ *Shopper's Paradise Realty & Devt. Corp. v. Roque*, 464 Phil. 116, 123 (2004).

notice or knowledge thereof.”²⁵ Moreover, “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,²⁶ he cannot find solace in the protection afforded by a prior registration. Neither can such person be considered an innocent purchaser for value nor a purchaser in good faith.”²⁷

In this case, two factors work against Rovira as a buyer in good faith. One, she cannot be considered a third person for purposes of applying the rule. Rovira does not deny that she is the daughter and an heir of Victor C. Alcantara, one of the parties to the contract to sell (and the contract of sale) executed in favor of Rotairo. **“The vendor’s heirs are his privies.”**²⁸ Based on such privity, Rovira is charged with constructive knowledge of prior dispositions or encumbrances affecting the subject property made by her father.²⁹ The fact that the contract to sell was unregistered became immaterial and she is, therefore, bound by the provisions of the contract to sell and eventually, the contract of sale, executed by her father in favor of Rotairo.

Further, more than the charge of constructive knowledge, the surrounding circumstances of this case show Rovira’s **actual knowledge** of the disposition of the subject property and Rotairo’s possession thereof. It is undisputed that after the contract to sell was executed in April 1970, Rotairo immediately secured a mayor’s permit in September 28, 1970 for the construction of his residential house on the property.³⁰ Rotairo, and subsequently, his heirs, has been residing on the property since then. Rovira, who lives only fifty (50) meters away from the subject property, in fact, knew that there were “structures built on the property.”³¹ Rovira, however, claims that “she did not bother to inquire as to the legitimacy of the rights of the occupants, because she was assured by the bank of its title to the property.”³² But Rovira cannot rely solely on the title and assurances of Pilipinas Bank; it was incumbent upon her to look beyond the title and make necessary inquiries because the bank was not in possession of the property. “Where the vendor is not in possession of the property, the prospective vendees are obligated to investigate the rights of one in possession.”³³ A purchaser cannot simply close his eyes to facts which

²⁵ *Heirs of Manlapat v. Court of Appeals*, 498 Phil. 453, 467 (2005).

²⁶ *Sandoval v. CA*, 329 Phil. 48, 60 (1996).

²⁷ *Id.* at 61.

²⁸ *Vallido v. Pono*, G.R. No. 200173, April 15, 2013, 696 SCRA 381, 386; *Pilapil v. CA*, 321 Phil. 156, 166 (1995); *Abuyo, et al. v. De Suazo*, 124 Phil. 1138, 1140 (1966).

²⁹ *Id.*, *Vallido v. Pono*.

³⁰ See Exhibit “5,” folder of exhibits, p. 22.

³¹ *Rollo*, p. 36.

³² *Id.*

³³ *Vallido v. Pono*, *supra* at 388.

should put a reasonable man on guard,³⁴ and thereafter claim that he acted in good faith under the belief that there was no defect in the title of the vendor.³⁵ Hence, Rovira cannot claim a right better than that of Rotairo's as she is not a buyer in good faith.

“[I]t is a settled rule that the Land Registration Act protects only holders of title in good faith, and does not permit its provision to be used as a shield for the commission of fraud, or as a means to enrich oneself at the expense of others.”³⁶


Under different circumstances, the prior registration of the mortgage between Pilipinas Bank and Alcantara and Ignacio, and Rovira's subsequent purchase of the subject property would have been valid and binding, and could have defeated Rotairo's unregistered claim over it. But given Rovira's privity with her father Victor C. Alcantara and the fact that she had actual knowledge of the disposition of the property and Rotairo's possession thereof, her acquisition of the property cannot be upheld.

WHEREFORE, the petition is **GRANTED**. The Decision dated July 21, 2005 and Resolution dated July 7, 2006 of the Court of Appeals in CA-G.R. CV No. 58455 are **SET ASIDE**. The Decision dated December 27, 1996 of the Regional Trial Court of Antipolo, Rizal, Branch 71, dismissing Civil Case No. 672 is **REINSTATED**.

SO ORDERED.


BIENVENIDO L. REYES
Associate Justice


WE CONCUR:


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

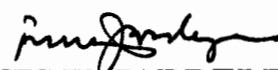
³⁴ Supra note 26, at 62.

³⁵ *Gonzales Vda. de Toledo v. Toledo*, G.R. No. 149465, December 8, 2003, 417 SCRA 260, 267.

³⁶ *Pacete v. Asotigue*, G.R. No. 188575, December 10, 2012, 687 SCRA 570, 579.



DISODADO M. PERALTA
Associate Justice


MARTIN S. VILLARAMA, JR.
Associate Justice


FRANCIS H. JARDELEZA
Associate Justice


ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

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.


ANTONIO T. CARPIO
Acting Chief Justice