



Republic of the Philippines
Supreme Court
Baguio City

CERTIFIED TRUE COPY

Wilemar V. Lapitan
WILEMAR V. LAPITAN
Division Clerk of Court
Third Division

JUN 16 2016

THIRD DIVISION

SPOUSES PRIMO INALVEZ AND JULIANA INALVEZ, G.R. No. 188145

Petitioners, Present:

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

- versus -

BAYANG NOOL, ALLAN NOOL
AND CELESTINO NOOL,
Respondents.

Promulgated:

April 18, 2016

Wilemar V. Lapitan

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DECISION

REYES, J.:

Assailed in this petition for review on *certiorari*¹ under Rule 45 of the Rules of Court are the Decision² dated June 19, 2008 and the Resolution³ dated May 26, 2009 of the Court of Appeals (CA) in CA-G.R. CV No. 89378 which reversed and set aside the Decision⁴ dated April 3, 2007 in Civil Case No. 02-09 of the Regional Trial Court (RTC) of Camiling, Tarlac, Branch 68.

¹ Rollo, pp. 11-47.

² Penned by Associate Justice Rosmari D. Carandang, with Associate Justices Portia Aliño-Hormachuelos and Estela M. Perlas-Bernabe (now a Member of this Court); id. at 49-60.

³ Id. at 63-64.

⁴ Rendered by Presiding Judge Jose S. Vallo; id. at 176-188.

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The Facts

This petition stemmed from a complaint for recovery of possession over a parcel of land covered by Transfer Certificate of Title (TCT) No. 305862⁵ with an area of 10.2135 hectares situated at Villa Aglipay, San Jose, Tarlac, filed by Spouses Primo and Juliana Inalvez (Juliana) (petitioners) against Bayang Nool (Bayang), Allan Nool and Celestino Nool (respondents), with the Department of Agrarian Reform Adjudication Board (DARAB).

The records showed that the subject property was originally covered by TCT No. 58398⁶ originally registered in the names of Spouses Nicolas and Francisca Nool and Spouses Cornelio and Bayang, with an area of 15.1441 ha. On May 3, 1965, Spouses Cornelio and Bayang sold a large portion of their one-half share of the landholding to the petitioners and Maria Zamora (Zamora), which sale was inscribed on the title as Entry No. 5-4972.⁷ Consequently, TCT No. 58398 was cancelled and in lieu thereof, TCT No. 58439⁸ was issued in the names of the following co-owners: Spouses Nicolas and Francisca (one-half share); Zamora (one-fourth share); Spouses Cornelio and Bayang (one-eighth share); and the petitioners (one-eighth share).⁹

On June 4, 1979, Spouses Nicolas and Francisca sold their entire one-half share over the property in favor of Spouses Abraham and Olivia Macayanan (Spouses Macayanan), which sale was inscribed on the title as Entry No. E-19-7847.¹⁰ Then, on April 16, 1980, the new set of owners, namely, Spouses Macayanan, Zamora, Spouses Cornelio and Bayang, and the petitioners executed a Real Estate Mortgage¹¹ (REM) over the whole property in favor of Tarlac Development Bank (TDB) to secure a loan of ₱10,000.00.¹²

Unfortunately, the mortgage was foreclosed, and the title to the subject property was consolidated with TDB, together with the corresponding issuance of TCT No. 188251.¹³ On April 17, 1985, TDB sold the parcel of land to the petitioners and Spouses Jim and Liberty Baluyot (Spouses Baluyot).¹⁴ Hence, TCT No. 188251 was cancelled and

⁵ Records, p. 12.

⁶ Id. at 14.

⁷ Dorsal side of Exhibit "C", id.

⁸ Id. at 15-16.

⁹ *Rollo*, pp. 66-67.

¹⁰ Dorsal side of Exhibit "D", records, p. 15.

¹¹ Exhibit "E", id. at 17-20.

¹² *Rollo*, pp. 50-51.

¹³ Exhibit "G", records p. 22.

¹⁴ Id. at 23-24.

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TCT No. 188252¹⁵ was issued in the names of the petitioners and Spouses Baluyot.¹⁶ Meanwhile, the respondents continued possession of the subject lot.

On October 3, 1991, pursuant to an Agreement of Subdivision,¹⁷ the property was subdivided as follows: Lot 1 with 138,734 square meters to the petitioners, and Lots 2 and 3 with 10,000 sq m and 2,707 sq m, respectively, to Spouses Baluyot. The portion pertaining to the petitioners was separately titled under TCT No. 260916, and was later replaced by TCT No. 262142,¹⁸ showing that the original area of 138,734 sq m had been reduced to 133,809 sq m.¹⁹

On March 24, 1998, the petitioners caused their property to be subdivided into nine sub-lots, by virtue of which subdivision, TCT No. 262142 was cancelled and new titles were issued, namely, TCT Nos. 305854 to 305862. The petitioners also declared the property for tax purposes.²⁰

On June 16, 2000, the petitioners instituted a complaint for ejectment, collection of shares and damages, against the respondents before the DARAB-Region III docketed as DARAB Case No. III-T-1952-00. The petitioners alleged that since Bayang is Juliana's sister, they allowed the respondents to cultivate 2-ha portion of the subject property covered by TCT No. 305862,²¹ with an area of 102,135 sq m, with the obligation to share the landowners 25% of the harvest proceeds thereof. The respondents' cultivation thereof was purportedly conditioned upon the payment to the petitioners of a rightful share in the produce. Thus, when the respondents failed to fulfil their undertaking, the petitioners instituted an ejectment complaint against them.²²

For her part, Bayang averred that she and her late husband were the actual and registered co-owners of the subject property, which they inherited from her father, together with the petitioners. Bayang denied having sold portions of their property to the petitioners and Zamora. She also disclaimed knowledge as to how their original title was replaced by TCT No. 58439 showing the acquisition by the petitioners of one-eight portion of the property and the corresponding reduction of their share. She

¹⁵ Id. at 25-26.

¹⁶ *Rollo*, p. 51.

¹⁷ Records, p. 27.

¹⁸ Exhibit "K", id. at 28-29.

¹⁹ *Rollo*, pp. 69-70.

²⁰ Id. at 52.

²¹ Records, p. 12.

²² *Rollo*, pp. 92-93.

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further denied having signed any document consenting to the mortgage of the subject property and refuted the genuineness of her husband's signature as appearing on the REM executed with TDB. Lastly, the respondents argued that they are deemed to have already acquired the subject property through ordinary acquisitive prescription since they have been in open, continuous and exclusive possession of the subject property for more than 30 years.²³

On January 14, 2002, the DARAB dismissed the case upon finding that no tenancy relationship exists between the parties.²⁴ Dissatisfied, the petitioners filed a complaint for recovery of possession, damages with an application for preliminary injunction²⁵ against the respondents before the RTC of Camiling, Tarlac docketed as Civil Case No. 02-09. The case was raffled to Branch 68.

After trial, the court *a quo* rendered its judgment in favor of the petitioners.²⁶ The trial court dismissed the respondents' claim of ownership over the subject property taking note of the sale and transfer effected by Spouses Cornelio and Bayang over a large portion of their inherited property in favor of Zamora and the petitioners. Thus:

WHEREFORE, judgment is hereby rendered in favor of the [petitioners], as follows:


1. Ordering [the respondents] and all persons allowed by them to vacate the subject portion of the lot in suit presently covered by TCT No. 305862;
2. Ordering [the respondents], jointly and severally[,] to pay the [petitioners] Ph[P]500.00 a month from each of them as reasonable compensation for the use of the subject property from the time of the filing of this Complaint until possession is fully restored to [the petitioners];
3. Ordering the [respondents], jointly and severally[,] to pay [the petitioners] the sum of Ph[P]25,000.00 as attorney's fees; [and]
4. Cost of suit.

²³ Id. at 53.

²⁴ Rendered by Regional Adjudicator Fe Arche Manalang; id. at 92-101.

²⁵ Id. at 65-75.

²⁶ Id. at 176-188.



The award of other damages are [sic] not granted for not being prayed for and for lack of adequate proofs.

SO ORDERED.²⁷

On appeal,²⁸ the CA reversed and set aside the RTC decision and dismissed the complaint for recovery of possession upon finding that a co-ownership existed between the parties.²⁹ The CA faulted the trial court for relying on the fact that the petitioners are the present registered owners of the property and in consequently ruling that they can recover possession of the portion occupied by the respondents ratiocinating that registration does not vest ownership but is intended to merely confirm and register title which one may have on the land. The CA also gave credence to the respondents' claim of forgery with respect to the signature of Spouses Cornelio and Bayang on the REM. The CA then ruled that:

Since [the petitioners'] act of mortgaging the property without the consent of [the respondents] did not terminate the existing co-ownership, [the respondents] cannot be deemed to have lost their part ownership in the property even by reason of the eventual foreclosure and consolidation of title in the name of [TDB]. x x x Similarly, x x x, [TDB] never acquired registrable title over that portion pertaining to [the respondents] but simply held the same in trust for the latter. Hence, when the [petitioners] subsequently bought the property from [TDB] they are deemed to have acquired no more than the rights and obligations that the bank had over the property to begin with. Putting it lightly, [the petitioners] did not acquire title to the subject property because they merely stepped into the shoes of [TDB] and acquired no more than what the latter could transfer to them in the first place. Evidently, [the petitioners] cannot be allowed to profit from their own illegal and fraudulent act of mortgaging [the respondents'] share without the latter's knowledge and consent.³⁰

The petitioners moved for reconsideration³¹ but it was denied,³² hence, this petition.

²⁷ Id. at 187-188.

²⁸ Id. at 189-211.

²⁹ Id. at 49-60.

³⁰ Id. at 57-58.

³¹ Id. at 258-278.

³² Id. at 63-64.

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The Issue

The main issue before this Court is whether a co-ownership exists between the petitioners and the respondents.

Ruling of the Court


The petition has no merit.

At the outset, it bears to emphasize that there is no dispute with respect to the fact that no tenancy or agricultural leasehold relationship existed between the parties whether express or implied since the petitioners have failed to overcome the burden of proving their affirmative allegation of tenancy. The petitioners however argue that they are the sole owners of the subject property since they have bought it from TDB after it had been foreclosed. On the other hand, the respondents insist that they are co-owners of the subject property which they inherited from their parents.

Essentially, the issues raised center on the core question of whether or not the subject property pertains to the exclusive ownership of the petitioners. Hence, the pertinent point of inquiry is whether co-ownership by the petitioners and the respondents over the subject property continued even after the subject property was purchased by TDB and title thereto transferred to its name, and even after it was eventually bought back by the petitioners from TDB.

While the question raised is essentially one of fact, of which the Court normally abstain from, yet, considering the divergent positions of the courts below, this Court shall go by the exception to the general rule and proceed to review the facts of this case and make its own assessment of the evidence and documents on record. But even if the Court were to re-evaluate the evidence presented, there is still no reason to depart from the CA's ruling that the property in dispute is owned in common by the petitioners and the respondents.

In this case, the petitioners' cause of action for recovery of possession is grounded on their alleged exclusive ownership of the subject property which they merely purchased from TDB. They contend that TDB's consolidation of ownership over the subject property effectively ended and terminated the co-ownership. The respondents, however, counter that they are co-owners of the subject property and their co-ownership was by virtue



of their inheritance, which was registered in the names of the petitioners by way of an agreement. Bayang also asserted that she never sold her share to the petitioners and Zamora nor was she aware of any mortgage over the subject property.

Here, records show that the subject property was originally owned by Juliana and Bayang's father, Cleto Macayanan under Original Certificate of Title No. 1665. "Pursuant to Article 1451 of the Civil Code, when land passes by succession to any person and he causes the legal title to be put in the name of another, a trust is established by implication of law for the benefit of the true owner."³³ Bayang, being an heir and a co-owner, is thus entitled to the possession of the subject property. This was confirmed by the issuance of TCT No. 58439 in the names of Spouses Nicolas and Francisca for one-half share, Spouses Cornelio and Bayang for one-eighth share, Zamora for one-fourth share, and the petitioners for one-eighth share. Evidently, a co-ownership existed between the parties prior to the foreclosure and consolidation of title in favor of TDB and the subsequent re-acquisition thereof by the petitioners.

"Co-ownership is a form of trust and every co-owner is a trustee for the others."³⁴ "Before the partition of a land or thing held in common, no individual or co-owner can claim title to any definite portion thereof. All that the co-owner has is an ideal or abstract quota proportionate share in the entire land or thing."³⁵ "Should a co-owner alienate or mortgage the co-owned property itself, the alienation or mortgage shall remain valid but only to the extent of the portion which may be allotted to him in the division upon the termination of the co-ownership."³⁶ "In case of foreclosure, a sale would result in the transmission only of whatever rights the seller had over of the thing sold."³⁷

Indeed, a co-owner does not lose his part ownership of a co-owned property when his share is mortgaged by another co-owner without the former's knowledge and consent as in the case at bar. The mortgage of the inherited property is not binding against co-heirs who never benefited.³⁸ As correctly emphasized by the CA, the petitioners' right in the subject property is limited only to their share in the co-owned property. When the subject property was sold to and consolidated in the name of TDB, the latter merely held the subject property in trust for the respondents. When the petitioners and Spouses Baluyot bought back the subject property, they merely stepped

³³ *Nufable v. Nufable*, 369 Phil. 135, 147 (1999).

³⁴ *Sanchez v. CA*, 452 Phil. 665, 676 (2003).

³⁵ *Id.*

³⁶ *Philippine National Bank v. Garcia*, G.R. No. 182839, June 2, 2014, 724 SCRA 280, 291.

³⁷ *Cruz v. Bancom Finance Corporation*, 429 Phil. 225, 243 (2002).

³⁸ *Nufable v. Nufable*, supra note 33, at 146.

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into the shoes of TDB and acquired whatever rights and obligations appertain thereto.

Be that as it may, the rights of the respondents as co-owners of the subject property were never alienated despite TDB's consolidation of ownership over the subject property. Neither does the fact that the petitioners succeeded in acquiring back the property from TDB and having a new title issued in their name terminate the existing co-ownership. Besides, it seems that petitioners knew of the fact that they did not have a title to the entire lot and could not, therefore, have validly mortgaged the same, because of the respondents' possession of the subject portion.

The trial court's reliance on the doctrine that mere possession cannot defeat the right of a holder of a registered *Torrens* title over property is misplaced, considering that the respondents were almost deprived of their dominical rights over the said lot through fraud and with evident bad faith on the part of the petitioners. Failure and intentional omission to disclose the fact of actual physical possession by another person during registration proceedings constitutes actual fraud. Likewise, it is fraud to knowingly omit or conceal a fact, upon which benefit is obtained to the prejudice of a third person.³⁹

Contrary to the petitioners' argument that the respondents' claim is a collateral attack upon their title which is impermissible, the Court had categorically ruled that a resolution on the issue of ownership does not subject the *Torrens* title issued over the disputed realties to a collateral attack. **It must be borne in mind that what cannot be collaterally attacked is the certificate of title and not the title itself.**⁴⁰ "Mere issuance of the certificate of title in the name of any person does not foreclose the possibility that the real property may be under co-ownership with persons not named in the certificate, or that the registrant may only be a trustee, or that other parties may have acquired interest over the property subsequent to the issuance of the certificate of title."⁴¹ The alleged incontrovertibility of title cannot be successfully invoked by the petitioners because certificates of title merely confirm or record title already existing and cannot be used as a shield for the commission of fraud.⁴²

³⁹ *Roberto Sta. Ana Dy, Jose Alaineo Dy, and Alteza A. Dy for themselves and as heirs/substitutes of deceased-petitioner Chloe Alindogan Dy v. Bonifacio A. Yu, Susana A. Tan, and Soledad Arquilla substituting deceased-respondent Rosario Arquilla*, G.R. No. 202632, July 8, 2015, citing *Alba vda. de Raz v. CA*, 372 Phil. 710, 738 (1999).

⁴⁰ *Lacbay v. Samoy, Jr.*, 661 Phil. 306, 317 (2011).

⁴¹ *Id.*

⁴² *Roberto Sta. Ana Dy, Jose Alaineo Dy, and Alteza A. Dy for themselves and as heirs/substitutes of deceased-petitioner Chloe Alindogan Dy v. Bonifacio A. Yu, Susana A. Tan, and Soledad Arquilla substituting deceased-respondent Rosario Arquilla*, supra note 39, citing *Spouses Lopez v. Spouses Lopez*, 620 Phil. 368, 376 (2009).

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The CA was also on point when it upheld the respondents' claim of forgery with respect to the signatures of Spouses Cornelio and Bayang as appearing in the REM. The CA explained that:

The evidence on record tends to corroborate [the respondents'] claim that [the petitioners] succeeded in mortgaging the co-owned property to [TDB] without their consent. The signature on the [REM] Contract, which purports to be that of Cornelio Nool, is undoubtedly a forgery considering that Cornelio Nool died on December 21, 1979 prior to the execution of said mortgage on April 16, 1980. Bayang's claim that her signature in the mortgage was forged was never rebutted by [the petitioners]. Also, the manifest disparities between [Bayang's] purported signature on the [REM] Contract and her signature as appearing on the Marriage Contract, which public document was admitted as genuine writing, supports [sic] a finding that her signature on the mortgage contract was also forged. The trial court failed to consider the evidence and to make its own comparison of the disputed handwriting with writings that are proved to be genuine as explicitly authorized by Section 22, Rule 132 of the Rules of Court.⁴³

The Court disbelieves the petitioners' argument that the respondents started occupying the subject property only after the petitioners have bought back the subject property from TDB. Obviously, the respondents have been the owners and in possession of the subject property even before May 3, 1965 when they sold portions of their original share to the petitioners. The subject property presently in the respondents' possession covers an area of not more than 2 ha,⁴⁴ which corresponds, more or less, to the one-eighth aliquot share (1.8930 ha) in the co-owned property which the Spouses Cornelio and Bayang had retained for themselves in the co-ownership. It must be noted that since the mortgage and sale of the subject property to the petitioners, the latter had allowed the respondents to occupy that portion allotted to them. Clearly, the petitioners were in possession of the subject property for more than 35 years. However, at no instance during this time did the petitioners, for that matter, question the respondents' right over the subject property.

In *Vda. de Cabrera v. CA*,⁴⁵ the Court held that where the transferees of an undivided portion of the land allowed a co-owner of the property to occupy a definite portion thereof and had not disturbed the same for a period too long to be ignored, the possessor is in a better condition or right than said transferees. (*Potior est conditio*

⁴³ Rollo, pp. 55-56.

⁴⁴ TSN, December 4, 2003, p. 7.

⁴⁵ 335 Phil. 19 (1997).

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possidentis).⁴⁶ Such undisturbed possession had the effect of a partial partition of the co-owned property which entitles the possessor to the definite portion which he occupies.⁴⁷ Conformably, the respondents are entitled to the subject property, having enjoyed uninterrupted possession thereof for more than 35 years.

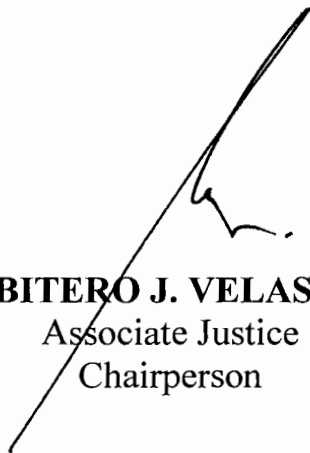
From the foregoing disquisitions, it is clear that the CA did not err in declaring that the petitioners have no legal basis to recover possession of the subject property. Except for their claim that they merely purchased the subject property from TDB, the petitioners presented no other justification to disprove co-ownership. Since the mortgage of the co-owned property was done without the respondents' consent, they cannot be deemed to have lost their share as a consequence of the subsequent foreclosure and sale of the co-owned property. In the same way, the petitioners, as mere co-owners, had no right to mortgage the entire property for their right to do so is limited only to that portion that may be allotted to them upon termination of the co-ownership.

WHEREFORE, the petition is **DENIED**. The Decision dated June 19, 2008 and the Resolution dated May 26, 2009 of the Court of Appeals in CA-G.R. CV No. 89378 are hereby **AFFIRMED**.

SO ORDERED.

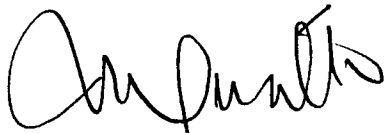

BIENVENIDO L. REYES
Associate Justice

WE CONCUR:


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

⁴⁶ Id. at 35.

⁴⁷ *Spouses Del Campo v. CA*, 403 Phil. 706, 718 (2001).



DIOSDADO M. PERALTA
Associate Justice



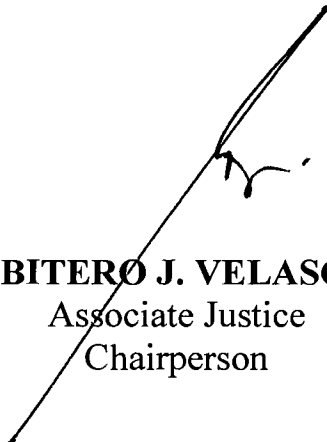
JOSE PORTUGAL PEREZ
Associate Justice



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.



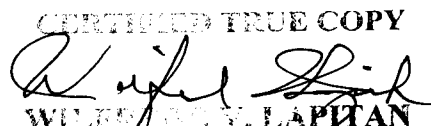
PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution 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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WILFREDO V. LAPITAN
Division Clerk of Court
Third Division

JUN 16 2016

