609 Phil. 660

THIRD DIVISION

[G.R. No. 177181, July 07, 2009]

RABAJA RANCH DEVELOPMENT CORPORATION, PETITIONER, VS. AFP RETIREMENT AND SEPARATION BENEFITS SYSTEM, RESPONDENT.

NACHURA, J.:

Before this Court is a Petition[1] for Review on Certiorari under Rule 45 of the Rules of Civil Procedure, seeking the reversal of the Court of Appeals (CA) Decision[2] dated June 29, 2006, which reversed and set aside the Decision[3] of the Regional Trial Court (RTC) of Pinamalayan, Oriental Mindoro, Branch 41, dated June 3, 2004.

The Facts

Petitioner Rabaja Ranch Development Corporation (petitioner), a domestic corporation, is a holder of Transfer Certificate of Title (TCT) No. T-88513[4] covering the subject property particularly identified as Lot 395, Pls 47, with an area of 211,372 square meters more or less, and located at Barangay (Brgy.) Conrazon, Bansud, Bongabon, Oriental Mindoro (subject property).

Respondent Armed Forces of the Philippines Retirement and Separation Benefits System (AFP-RSBS) is a government corporation, which manages the pension fund of the Armed Forces of the Philippines (AFP), and is duly organized under Presidential Decree (P.D.) No. 361,[5] as amended by P.D. No. 1656[6] (respondent). Respondent is a holder of TCT No. T-51382[7] covering the same subject property.

On September 1, 1998, petitioner filed a Complaint[8] for Quieting of Title and/or Removal of Cloud from Title before the RTC. Trial on the merits ensued.

Petitioner averred that on September 6, 1955, Free Patent No. V-19535[9] (Free Patent) was issued in the name of Jose Castromero (Jose). On June 1, 1982, the Free Patent was registered, and Original Certificate of Title (OCT) No. P-2612[10] covering the subject property was issued in the name of Jose. Sometime in the first half of 1982, Jose sold the subject property to Spouses Sigfriedo and Josephine Veloso[11] (spouses Veloso), and TCT No. T-17104[12] was issued in favor of the latter. Spouses Veloso, in turn, sold the subject property to petitioner for the sum of P634,116.00 on January 17, 1997,[13] and TCT No. T-88513 was issued in petitioner's name. Petitioner alleged that it was the lawful owner and possessor of the subject property.

Traversing the complaint, respondent, in its Answer,[14] claimed that its title over the subject property was protected by the Torrens system, as it was a buyer in good faith and for value; and that it had been in continuous possession of the subject

property since November 1989, way ahead of petitioner's alleged possession in February 1997.

Respondent stated that on April 30, 1966, Homestead Patent No. 113074 (Homestead Patent) was issued in the name of Charles Soguilon (Charles). On May 27, 1966, the Homestead Patent was registered[15] and OCT No. RP-110 (P-6339) [16] was issued in Charles's name, covering the same property. On October 18, 1982, Charles sold the subject property to JMC Farm Incorporated (JMC), which was then issued TCT No. 18529.[17] On August 30, 1985, JMC obtained a loan from respondent in the amount of P7,000,000.00, with real estate mortgage over several parcels of land including the subject property.[18] JMC failed to pay; hence, after extra-judicial foreclosure and public sale, respondent, being the highest bidder, acquired the subject property and was issued TCT No. T-51382 in its name. Respondent contended that from the time it was issued a title, it took possession of the subject property until petitioner disturbed respondent's possession thereof sometime in 1997. Thus, respondent sent petitioner a Demand Letter[19] asking the latter to vacate the subject property. Petitioner replied that it was not aware of respondent's claim.[20] Presently, the subject property is in the possession of the petitioner.[21]

The RTC's Ruling

On June 3, 2004, the RTC ruled in favor of the petitioner on the ground that petitioner's title emanated from a title older than that of the respondent. Moreover, the RTC held that there were substantial and numerous infirmities in the Homestead Patent of Charles. The RTC found that there was no record in the Bureau of Lands that Charles was a homestead applicant or a grantee of Homestead Patent No. 113074. Upon inquiry, the RTC also found that a similar Homestead Patent bearing *No. V-113074* was actually issued in favor of one Mariano Costales over a parcel of land with an area of 8.7171 hectares and located in Bunawan, Agusan in Mindanao, per Certification[22] issued by the Lands Management Bureau dated February 18, 1998. Thus, the RTC held that Charles's Homestead Patent was fraudulent and spurious, and respondent could not invoke the protection of the Torrens system, because the system does not protect one who committed fraud or misrepresentation and holds title in bad faith. The RTC disposed of the case in this wise:

> IN VIEW OF ALL THE FOREGOING, judgment is hereby rendered in favor of the plaintiff and against the defendant, as follows:
>
> 1. DECLARING as valid OCT No. P-2612, in the name of Jose Castromero, and the subsequent TCT No. T-17104 in the name of the spouses, Siegfriedo A. Veloso and Josephine Sison Veloso and TCT No. T-88513, in the name of plaintiff Rabaja Ranch & Development Corporation;
>
> 2. DECLARING plaintiff as the true and lawful owner of the lot in question covered by TCT No. T-88513;
>
> 3. DECLARING as null and void OCT No. RP-110 (P-6339), in the name of Charles Soguilon and its derivative titles, TCT No. T- 18529 registered in the name of J.M.C. Farm Incorporated and TCT No. T-51392, in the name of the defendant AFP Retirement Separation

and Benefits System;

4. DIRECTING the Register of Deeds, City of Calapan, Oriental Mindoro, to cancel TCT No. T-51392, in the name of defendant AFP Retirement Separation & Benefits System and its registration from the Records of the Registry of Deeds;

5. NO PRONOUNCEMENT as to damages and attorney's fees for plaintiff and defendant's counterclaim is hereby dismissed. No Cost.

SO ORDERED.

Aggrieved, respondent appealed to the CA.[23]

The CA's Ruling

On June 29, 2006, the CA reversed and set aside the RTC's Decision upon the finding that Charles's Homestead Patent was earlier registered than Jose's Free Patent. The CA held that Jose slept on his rights, and thus, respondent had a better right over the subject property. Further, the CA opined that while "it is interesting to note that petitioner's claim that Homestead Patent *No. V-113074* was issued to Mariano Costales, per Certification issued by the Lands Management Bureau, there is nothing on record which would show that said Homestead Patent No. *V-113074* and Homestead Patent No. 113074 granted to Charles were one and the same."

Petitioner filed a Motion for Reconsideration,[24] which the CA, however, denied in its Resolution[25] dated March 26, 2007.

The Issues

Hence, this Petition based on the following grounds:

a) The CA decided a question of substance not in accordance with existing law and jurisprudence.
b) The CA Decision was based on a gross misapprehension or non-apprehension of facts.

Petitioner asseverates that Homestead Patent No. 113074 is not found in the files of the Land Management Bureau, nor does Charles's name appear as an applicant or a patentee; that, similarly, Homestead Patent *No. V-113074* was actually issued to Mariano Costales over a parcel of land in Mindanao and not in Mindoro; that, being fake and spurious, Charles's Homestead Patent is void *ab initio* and, as such, does not produce or transmit any right; that the CA completely ignored the RTC's factual findings based on documentary and testimonial evidence, particularly of the invalidity and infirmities of the Homestead Patent; that said Homestead Patent does not legally exist, hence, is not registrable; that respondent's assertion -- that since the issuance of the Homestead Patent in 1966, records and documents have not been properly kept -- should be discarded, as petitioner's Free Patent which was issued way back in 1955 is still intact and is of record; that a Homestead Patent, being a contract between the Government and the grantee, must bear the consent of the Government; and, Charles's Homestead Patent being a simulation, cannot transmit any right; that the earlier registration of the Homestead Patent has no legal

effect, as the same is merely simulated; and that OCT No. No. RP-110 (P-6339) and all derivative titles issued, including respondent's title, are null and void.
Petitioner submits that it has a better right over the subject property than respondent.[26]

Respondent takes issue with petitioner's claim that the Homestead Patent is spurious or fake, the same being a question of fact not proper in a petition for review on *certiorari* before this Court. Respondent also posits that the factual findings of the CA are conclusive and binding on this Court, as such findings are based on record; that respondent has a better right over the subject property because only the certified copy and not the original copy of the Free Patent was transcribed and registered with the Register of Deeds of Calapan, Oriental Mindoro; that the Homestead Patent was duly transcribed on May 27, 1966, way ahead of the registration of the Free Patent on June 1, 1982; that the CA was correct in ruling that Section 122[27] of Act No. 496 (The Land Registration Act) as amended by Section 103[28] of P.D. No. 1529 (The Property Registration Decree) provides that registration of the Patent with the Register of Deeds is the operative act to affect and convey the land; and that the fact that the Homestead Patent was duly registered, said Patent became indefeasible as a Torrens Title. Moreover, respondent avers that the petitioner failed to prove by preponderance of evidence that the Homestead Patent is spurious or fake. Respondent maintains that it is the Free Patent which is spurious since what was registered was only the certified and not the original copy of the Free Patent.[29]

The issues may, thus, be summed up in the sole question of â”€

> WHETHER OR NOT RESPONDENT'S TITLE WHICH ORIGINATED FROM A FAKE AND SPURIOUS HOMESTEAD PATENT, IS SUPERIOR TO PETITIONER'S TITLE WHICH ORIGINATED FROM A VALID AND EXISTING FREE PATENT.[30]

Simply put, the issue is who, between the petitioner and respondent, has a better right over the subject property.

Our Ruling

The instant Petition is bereft of merit.

While this Court, is not a trier of facts and is not required to examine or contrast the oral and documentary evidence *de novo*, nonetheless, it may review and, in proper cases, reverse the factual findings of lower courts when the findings of fact of the trial court are in conflict with those of the appellate court.[31] In this case, we see the need to review the records.

The special circumstances attending this case cannot be disregarded. Two certificates of title were issued covering the very same property, deriving their respective authorities from two different special patents granted by the Government. The Free Patent was issued to Jose on September 6, 1955 as opposed to the Homestead Patent which was issued to Charles on April 30, 1966. The latter was registered on May 27, 1966, ahead of the former which was registered only on June 1, 1982. Each patent generated a certificate of title issued to a different set of

individuals. Over the years, the subject property was eventually sold to the contending parties herein, who both appear to be buyers in good faith and for value.

Petitioner now seeks relief before this Court on the main contention that the registered Homestead Patent from which respondent derived its title, is fake and spurious, and is, therefore, void *ab initio* because it was not issued, at all, by the Government.

We are not convinced.

Our ruling in *Republic v. Guerrero*,[32] is instructive:

> Fraud is of two kinds: actual or constructive. Actual or positive fraud proceeds from an intentional deception practiced by means of the misrepresentation or concealment of a material fact. Constructive fraud is construed as a fraud because of its detrimental effect upon public interests and public or private confidence, even though the act is not done with an actual design to commit positive fraud or injury upon other persons.
>
> Fraud may also be either extrinsic or intrinsic. Fraud is regarded as intrinsic where the fraudulent acts pertain to an issue involved in the original action, or where the acts constituting the fraud were or could have been litigated therein. The fraud is extrinsic if it is employed to deprive parties of their day in court and thus prevent them from asserting their right to the property registered in the name of the applicant.
>
> The distinctions assume significance because **only actual and extrinsic fraud had been accepted and is contemplated by the law as a ground to review or reopen a decree of registration**. Thus, relief is granted to a party deprived of his interest in land where the fraud consists in a deliberate misrepresentation that the lots are not contested when in fact they are; or in willfully misrepresenting that there are no other claims; or in deliberately failing to notify the party entitled to notice; or in inducing him not to oppose an application; or in misrepresenting about the identity of the lot to the true owner by the applicant causing the former to withdraw his application. In all these examples, the overriding consideration is that the fraudulent scheme of the prevailing litigant prevented a party from having his day in court or from presenting his case. The fraud, therefore, is one that affects and goes into the jurisdiction of the court.
>
> We have repeatedly held that relief on the ground of fraud will not be granted where the alleged fraud goes into the merits of the case, is intrinsic and not collateral, and has been controverted and decided. Thus, we have underscored the denial of relief where it appears that the fraud consisted in the presentation at the trial of a supposed forged document, or a false and perjured testimony, or in basing the judgment on a fraudulent compromise agreement, or in the alleged fraudulent acts or omissions of the counsel which prevented the petitioner from properly presenting the case.[33]