

## FIRST DIVISION

[ G.R. No. 204887, March 03, 2021 ]

**ERNESTO R. SERRANO, PETITIONER, VS. SPOUSES LUZVIMINDA & ARNOLD GUZMAN, SPOUSES MARISSA AND EFREN CASTILLO, AND SPOUSES SAMUEL AND EDIVINA PACIS, RESPONDENTS.**

### D E C I S I O N

**CARANDANG, J.:**

This is a Petition for Review on *Certiorari*<sup>[1]</sup> filed by petitioner Ernesto R. Serrano (Ernesto) to assail the Decision<sup>[2]</sup> dated May 25, 2012 and the Resolution<sup>[3]</sup> dated December 6, 2012 of the Court of Appeals (CA) in CAG.R. CV No. 89931. The CA reversed and set aside the Judgment<sup>[4]</sup> dated June 5, 2007 of the Regional Trial Court (RTC) of Tuao, Cagayan, Branch 11 in Civil Case No. 383-T.

#### Antecedents

On September 26, 1983, Ernesto and the heirs of Juan M. Baligod (Heirs of Baligod), represented by their attorney-in-fact Mariano L. Baligod (Mariano), executed a Deed of Sale<sup>[5]</sup> over Lot No. 1, a 1,726 square meter-parcel of land located in Tuao, Cagayan and covered by Original Certificate of Title (OCT) No. P-4235 in Juan Baligod's name. At that time, Lot No. 1 was mortgaged to secure a loan with the Philippine National Bank (PNB). Ernesto settled the obligation with PNB as part of the consideration for the purchase of the lot.<sup>[6]</sup> In addition, Ernesto paid Mariano P35,000.00<sup>[7]</sup> OCT No. P-4235 was subsequently cancelled and Transfer Certificate of Title (TCT) No. T-6309 was issued in the name of Ernesto.<sup>[8]</sup>

On September 15, 1998, Ernesto executed an Affidavit of Splitting<sup>[9]</sup> which provides that Lot No. 1 shall be subdivided into three lots. In recognition of his sister, respondent Luzviminda Guzman (Luzviminda), as a co-owner of the property because she paid the loan with PNB, he also executed a Deed of Reconveyance in her favor which states:

KNOW ALL MEN BY THESE PRESENTS:

THAT I, ERNESTO R. SERRANO, of legal age, [F]ilipino, single and a resident of Centro, Tuao, Cagayan, am the registered owner of a parcel of land located at Poblacion, Tuao, Cagayan and more particularly described as follows:

"Lot 1, Psu-2-01-000422, with an area of 1,767 square meters, more or less and covered by Transfer Certificate of Title No. T-6309".

That said parcel of land which a sister and I acquired sometime in the

year 1989, was transferred in my name only sometime on December, 1997, when it was supposed to be registered not only in my name but also in the name of my sister because some of the said consideration came from her.

That because she is a co-owner of the said parcel of land as the payment also came from her, I do hereby reconvey and relinquish [*sic*] all my rights and participation unto my sister LUZVIMINDA SERRANO-GUZMAN, of legal age, [F]ilipino, married to Arnold Guzman and a resident of Tuao, Cagayan a portion of the above-described parcel of land with an area of 442 square meters, more or less free from all liens and encumbrances.

That I am executing this deed on my own will and without any intimidation or whatsoever.

IN WITNESS WHEREOF, I have hereunto set my signature this 15<sup>th</sup> day of Sept, 1998 at Tuguegarao, Cagayan.<sup>[10]</sup>

TCT No. T-6724 covering Lot No. 1-A was issued in Luzviminda's name. Luzviminda subdivided Lot No. 1-A into three lots: (1) Lot No. 1-A-1, 126 square meters, and covered by TCT No. T-8194; (2) Lot No. 1-A-2, 126 square meters, and covered by TCT No. T-8195; and (3) Lot No. 1-A-3, 190 square meters, and covered by TCT No. T-8196.<sup>[11]</sup>

On November 22, 2001, Luzviminda sold Lot Nos. 1-A-1 and 1-A-2, respectively, to respondents Marissa Castillo (Marissa) and Samuel Pacis (Samuel). TCT Nos. T-8194 and T-8195 were cancelled and TCT No. T-8414 was issued in the name of Marissa while TCT No. T-8415 was issued in the name of Samuel.<sup>[12]</sup>

Ernesto executed an Affidavit of Adverse Claim on December 23, 2001 claiming that Luzviminda committed fraud against him. It was annotated on TCT Nos. T-8414 and T-8415.<sup>[13]</sup>

On June 30, 2002, Ernesto filed a complaint for reconveyance of Lot Nos. 1-A-1, 1-A-2, and 1-A-3 against Luzviminda and her husband and correspondent Arnold Guzman (Arnold; collectively, Spouses Guzman), Marissa and her husband and correspondent Efren Castillo (collectively, Spouses Castillo), and Samuel and his wife and co-respondent Edivina Pacis (collectively, Spouses Pacis). He claimed that in September 1998, he wanted to subdivide Lot No. 1 into three parcels of land so he signed eight blank sheets of paper<sup>[14]</sup> and gave it to Luzviminda. Luzviminda was supposed to give these papers to the geodetic engineer to be used in the partition of Lot No. 1. Ernesto entrusted this matter to her because he was in Manila at that time. To his dismay, he discovered in October 2001 that Spouses Guzman used the blank sheets of paper to execute the Affidavit of Splitting and Deed of Reconveyance. They acquired Lot No. 1-A for themselves and sold portions of it. Ernesto informed Spouses Castillo and Spouses Pacis in 2001 that he was the true owner of Lot Nos. 1-A-1 and 1-A-2 so they should not purchase it from Spouses Guzman. However, they did not listen to him.<sup>[15]</sup>

Respondents argued that the Affidavit of Splitting and Deed of Reconveyance were duly executed by Ernesto. Since these documents were acknowledged before the

notary public, they enjoy the presumption of authenticity and due execution.<sup>[16]</sup> Spouses Guzman explained that Ernesto gave them a portion of Lot No. 1 because they paid around P30,000.00 for the settlement of the Heirs of Baligod's loan with PNB. As for Spouses Castillo and Spouses Pacis, they insisted that they were buyers in good faith. The title presented by Spouses Guzman had no encumbrances or annotations.<sup>[17]</sup> They denied meeting Ernesto in 2001.<sup>[18]</sup>

### **Ruling of the Regional Trial Court**

On June 5, 2007, the RTC rendered its Judgment<sup>[19]</sup> in favor of Ernesto, the *fallo* of which provides:

WHEREFORE, the Court finds that the evidence on record preponderates in favor of the plaintiff and hereby renders judgment in his favor and against the defendants:

1 - declaring NULL and VOID the Deed of Reconveyance dated September 15, 1998 in favor of defendants spouses Arnold Guzman and Luzviminda Serrano-Guzman;

2 - declaring NULL and VOID the Deed of Sale of a Registered Land dated November 22, 2001 executed by defendant Luzviminda S. Guzman in favor of defendant Samuel M. Pacis, married to Edivina R. Pacis;

3 - declaring NULL and VOID the Deed of Sale of a Registered Land executed by defendant Luzviminda S. Guzman, in favor of defendant Marissa S. Castillo, married to Efren Castillo dated November 22, 2001;

4 - declaring NULL and VOID Transfer Certificates of Title Nos. T-8194 and T-8195 of the Register of Deeds of Cagayan in the name of defendant Luzviminda S. Guzman;

5 - declaring NULL and VOID Transfer Certificate of Title No. T-8414 in the name of Marissa S. Castillo, married to Efren Castillo;

6 - declaring NULL and VOID Transfer Certificate of Title No. T-8415 in the name of defendant Samuel M. Pacis, married to Edivina R. Pacis;

7 - ordering the defendants-spouses Arnold Guzman and Luzviminda Serrano-Guzman to execute a deed of reconveyance of Lot Nos. 1-A-1 and 1-A-2 of the Subd. plan Psd-(af)-02-021174 in favor of plaintiff Ernesto Serrano;

8 - ordering defendants-spouses Efren Castillo and Marissa S. Castillo to execute a Deed of Reconveyance over Lot No 1-A-1 of the Subd. plan Psd-(af)-02-021174 in favor of plaintiff Ernesto Serrano;

9 - ordering defendants-spouses Samuel M. Pacis and Edivina R. Pacis to execute a Deed of Reconveyance over Lot No. 1-A-2 of the Subd. plan Psd-(af)-02-021174 in favor of plaintiff Ernesto Serrano.

10 - ordering all the defendants to pay the cost.

SO ORDERED.<sup>[20]</sup>

The RTC held that the evidence showed that Ernesto did not execute the Deed of Reconveyance. Victor Serrano (Victor), Ernesto and Luzviminda's brother, testified that Spouses Guzman did not give P30,000.00 for the purchase of Lot No. 1. He declared that Ernesto alone paid for it. Mariano also attested to this.<sup>[21]</sup> The testimonies of Ernesto's witnesses were direct, positive, and categorical while respondents' witnesses merely denied Ernesto's evidence. Positive evidence should prevail over negative evidence.<sup>[22]</sup> Further, the RTC found it difficult to believe Luzviminda's claim that Ernesto filed the case to retaliate against her and her husband because this is inconsistent with her claim that he executed the Deed of Reconveyance out of the goodness of his heart. The RTC also doubted that Luzviminda would have agreed to receive around 1/4 of Lot No. 1 when she claimed to have contributed about "6/7<sup>th</sup>" of its purchase price.<sup>[23]</sup>

The RTC also noted that the Deed of Reconveyance states that Ernesto purchased Lot No. 1 in 1989 when in fact it was purchased in 1983. The Deed would have reflected the correct date if Ernesto truly executed it.<sup>[24]</sup> With respect to Spouses Castillo and Spouses Pacis, they were not innocent purchasers for value and in good faith. Ernesto notified them that he was the owner of Lot Nos. 1-A-1 and 1-A-2.<sup>[25]</sup> Since the Deed of Reconveyance was merely a simulated sale, all the transactions that followed thereafter were invalid.<sup>[26]</sup> Respondents appealed to the CA.

### **Ruling of the Court of Appeals**

The CA granted the appeal, reversed and set aside the ruling of the RTC, and dismissed the complaint for reconveyance for lack of merit in its Decision dated May 25, 2012.<sup>[27]</sup> The CA held that *first*, the Affidavit of Splitting and Deed of Reconveyance, on its face, are not irregular. There were proper margins, paragraphing, and spacing and no sign of compression of words or paragraphs. If Ernesto did sign blank papers, it would have been difficult to fit all the entries above his signature. The CA gave credence to Elizabeth Manauis' (Elizabeth) testimony that Ernesto and Arnold asked her and Roberto Valiente to be witnesses to the signing of the Deed of Reconveyance. She saw Ernesto sign the Deed before she affixed her own signature.<sup>[28]</sup> *Second*, neither Ernesto nor Mariano clarified who exactly paid the loan obligation with PNB. Mariano merely assumed that Ernesto did because he paid for the purchase price of Lot No. 1. Third, the indication of the wrong year of purchase of Lot No. 1 in the Deed of Reconveyance could be considered a mere typographical error.<sup>[29]</sup> Fourth, Spouses Castillo and Spouses Pacis were buyers in good faith and for value. Ernesto's adverse claim was not annotated on TCT Nos. T-8194 and T-8195. It was only annotated on Spouses Castillo and Spouses Pacis' titles. Spouses Castillo and Spouses Pacis both denied that Ernesto talked to them in 2001. They claimed that they only met him in March 2002. The CA pointed out that if Ernesto knew about the sale of Lot Nos. 1-A-1 and 1-A-2 in June 2001, he should not have waited until December 23, 2001 to file his affidavit of adverse claim. Also, it was only in April 2002 when he filed an action against Luzviminda alone before the barangay. He did not include Spouses Pacis and Spouses Castillo.<sup>[30]</sup>

Ernesto filed a motion for reconsideration which the CA denied. He then filed a petition for review on *certiorari* before this Court. Respondents filed their comment. [31] Ernesto manifested that he is adopting his arguments in his petition in lieu of filing his reply. [32]

Ernesto argued that *first*, the CA should not have ruled that the Affidavit of Splitting and Deed of Reconveyance were duly executed by simply looking at its appearance. It is possible that the Deed of Reconveyance was prepared ahead of time so that the location for Ernesto's signature on a blank paper could be determined beforehand. [33] *Second*, Mariano testified that he only transacted with Ernesto regarding the purchase of Lot No. 1. [34] Ernesto also refuted Elizabeth's testimony that he asked her to be a witness to the Deed of Reconveyance. Elizabeth is biased because she purchased Lot No. 1-A-3. And there was no need to go to Tuao just to obtain Elizabeth's signature if the document was prepared in Tuguegarao. Also, Elizabeth admitted that she did not appear before the notary public. [35] *Third*, the Deed of Reconveyance indicates the wrong year of purchase of Lot No. 1. Ernesto would not have committed this error because he knows when the lot was acquired. The CA's pronouncement that this is a mere typographical error is not supported by the evidence submitted by respondents. [36] *Fourth*, Ernesto wanted Lot No. 1 to be subdivided into four lots, with the front portion divided into two with an area not exceeding 500 square meters each. One portion was to be sold to Dr. Mateo while another portion was to be used by Spouses Guzman as collateral for their Bayantel calling center in Tuao. Ernesto signed blank sheets of paper for the subdivision of Lot No. 1. To his dismay, Spouses Guzman did not comply with their agreement and employed fraud to acquire Lot No. 1-A. Pursuant to Article 1456 [37] of the Civil Code, they should be considered to be mere trustees of Lot No. 1-A. [38] *Fifth*, Spouses Castillo and Spouses Pacis' bare denial that Ernesto approached them in 2001 should not prevail over Ernesto's clear and positive testimony that he warned them against purchasing Lot Nos. 1-A-1 and 1-A-2 from Spouses Guzman. They were buyers in bad faith and the titles in their name should be cancelled. [39]

Respondents countered that the Affidavit of Splitting and Deed of Reconveyance were duly executed. It was impossible that Ernesto signed blank sheets of paper without intending to execute these documents. The spacing, arrangement of paragraphs, margins, and borders of the documents show that its contents were not simply squeezed together. [40] In addition, the acknowledgment of the Affidavit of Splitting and the Deed of Reconveyance before a notary public is sufficient proof of its authenticity and due execution. Further, the fact that Elizabeth purchased Lot No. 1-A-3 does not make her biased. She would not have purchased the lot if she knew it was the product of an illegal transaction. As for Spouses Castillo and Spouses Pacis, they are buyers in good faith. [41] They had no obligation to go beyond the title presented by Spouses Guzman. Ernesto did not annotate his adverse claim on TCT Nos. T-8194 and T-8195. He only annotated his adverse claim in 2001 even though he was already aware of the existence of the Affidavit and the Deed in 1998. Also, the annotation itself was irregular. The notice was inscribed on the titles on January 2, 2001 but the notice itself was executed on December 23, 2001. [42]

## Issue