

## SECOND DIVISION

[ G.R. No. 201193, June 10, 2019 ]

**TRANQUILINO AGBAYANI, PETITIONER, V. LUPA REALTY  
HOLDING CORPORATION, RESPONDENT.**

### R E S O L U T I O N

**CAGUIOA, J:**

Before the Court is a Petition for Review on *Certiorari*<sup>[1]</sup> (Petition) under Rule 45 of the Rules of Court assailing the Decision<sup>[2]</sup> dated September 14, 2011 (CA Decision) and the Resolution<sup>[3]</sup> dated March 9, 2012 (CA Resolution) of the Court of Appeals<sup>[4]</sup> (CA) in CA-G.R. CV No. 93912. The CA Decision reversed and set aside the Decision<sup>[5]</sup> dated June 15, 2009 rendered by the Regional Trial Court, Branch 7, Aparri, Cagayan (RTC) in Civil Case No. 07-532. The CA Decision also dismissed the complaint of petitioner Tranquilino Agbayani (Tranquilino) as well as the third-party complaint of respondent Lupa Realty Holding Corporation (Lupa Realty), fourth-party complaint of Moriel Urdas (Moriel) and the counterclaims. The CA Resolution denied the motion for reconsideration filed by Tranquilino.

#### **The Facts and Antecedent Proceedings**

The CA Decision narrates the factual antecedents as follows:

The property subject of the instant case is a 91,899-square meter parcel of land, situated in Barrio Sinungan, Sta. Ana, Cagayan, originally registered under OCT No. P-46041 in the name of x x x Tranquilino Agbayani (**Tranquilino**), pursuant to Free Patent No. 587747 on 7 June 1979.

On 11 October 1999, Tranquilino, who was by then already residing in America, filed a *Complaint* for Reivindicacion, Cancellation of Title and Document with Damages against Lupa Realty Holding Corporation (**Lupa Realty**), through his brother, Kennedy Agbayani, and his nephew, Vernold Malapira (**Vernold**). We note that Vernold is also written as "Bernold" in other parts of the record, and is admitted to be the same "Bernard" referred to in the *Complaint* and in the *Special Power of Attorney* as having been authorized by Tranquilino to file the instant case.

The *Complaint* alleged that sometime in April 1999, [Vernold] went to the Office of the Municipal Treasurer of Sta. Ana, Cagayan to pay the real estate taxes on the subject property, but was told that Lupa Realty was already the new owner thereof and that the tax declaration had already been transferred to its name. Tranquilino further alleged that upon verifying with the Registry of Deeds for Cagayan, [Vernold] discovered that the subject property was already registered in the name of Lupa Realty under TCT No. T-109129 pursuant to a *Deed of Absolute Sale*

purportedly executed by Tranquilino on 29 October 1997 in favor of Lupa Realty, in consideration of the sum of P425,500.00.

In his complaint, Tranquilino denied having executed said *Deed of Absolute Sale*, insisting that his signature thereon must be a forgery because he was in America on 29 October 1997. Accordingly, [he] prayed for the cancellation of Lupa Realty's TCT No. T-109129 and the reinstatement of OCT No. P-46041 in his name, plus damages.

In its *Answer*, Lupa Realty countered that contrary to the allegation of Tranquilino that he never sold the subject property, he sold the same to his brother, Nonito Agbayani (**Nonito**), as shown by a notarized *Deed of Absolute Sale* executed on 21 January 1992. In turn, Nonito sold the subject property to Moriel Urdas (**Moriel**) in a notarized *Deed of Absolute Sale*, dated 30 May 1997. According to Lupa Realty, it acquired the subject property not from Tranquilino but from Moriel by way of a notarized *Deed of Absolute Sale*, dated 29 October 1997.

Lupa Realty further insisted that it was an innocent purchaser for value and in good faith. Lupa Realty explained that it was Moriel and his mother who registered the sale in the Registry of Deeds, as shown by the *Affidavit* executed by Moriel's mother. According to Lupa Realty, it had no idea that Moriel and his mother had used a falsified deed of sale with Tranquilino's forged signature in registering the sale. Thus, Lupa Realty filed a third-party complaint against Moriel to enforce the latter's warranty of a valid title and peaceful possession against the claims of third persons.

In his *Answer to the Third-Party Complaint*, Moriel denied having caused the registration of the sale to Lupa Realty, and denied having prepared the falsified deed of sale that was used in transferring the title to Lupa Realty. Moriel insisted that contrary to Lupa Realty's assertions, it was actually the latter's personnel who registered the sale.

Moriel laid the blame squarely on Tranquilino for having entrusted his original certificate of title to his brother Nonito, thereby making it possible for the latter to fraudulently transfer the property to an innocent third person like Moriel. Thus, Moriel filed a *Fourth-Party Complaint* against Nonito, praying that if it turns out that Tranquilino really did not sell the subject property to Nonito, the latter should be made liable for whatever liability may be adjudged against [Moriel].

In his *Answer (to the Fourth-Party Complaint)*, Nonito admitted to having signed the *Deed of Absolute Sale* in favor of Moriel, but qualified that the execution of the same was "attended by undue pressure considering that at that time, [Nonito] was of confused state of mind brought about by the numerous unfortunate events that beset his family." According to Nonito, it was Moriel who prepared the *Deed of Absolute Sale*, which [Nonito] mistakenly believed to be merely one of mortgage to secure a loan that he had obtained from Moriel. Accordingly, Nonito prayed that the fourth-party complaint against him be dismissed and that the *Deed of Absolute Sale* in favor of Moriel be nullified.

Curiously, during trial, despite Tranquilino's insistence that his signature on the deed of sale in favor of Lupa Realty was forged, he did not present a handwriting expert to prove the alleged forgery. Neither did Tranquilino present any evidence controverting Lupa Realty's allegations that he had sold the property to his brother Nonito, who, in turn, transferred the property to Moriel, and the latter eventually transferred the same to Lupa Realty.

Instead, Tranquilino presented only his nephew, Vernold, and his tenants, Felino Rizaldo (**Felino**) and Florante Ruiz (**Florante**). [Vernold] testified on the matters contained in the *Complaint*; i.e., about how he discovered that the land is now registered in the name of Lupa Realty. While Felino and Florante both testified that they were instituted as tenants in the property by the family of Tranquilino since 1992 and no one has ever disturbed them in their possession thereof.

On the other hand, Lupa Realty presented its former employee, Demetria Balisi [(Demetria)], who testified that she was one of the two witnesses to the deed of sale between Lupa Realty and Moriel.

Demetria further testified that because the OCT was in the name of Tranquilino and not Moriel, Lupa Realty had asked for proof of Moriel's ownership thereof, and the latter submitted to them the deed of sale between Tranquilino and Nonito, and the deed of sale between Nonito and Moriel. We note that Tranquilino's counsel admitted in open court the existence of the deed of sale between Tranquilino and Nonito.

Demetria acknowledged that none of the deeds of conveyances between Tranquilino and Nonito; between Nonito and Moriel; and between Moriel and Lupa Realty - was used in registering the transfer of the subject property to Lupa Realty. According to Demetria, it was Moriel's mother who processed the registration, and this was further confirmed by Moriel's mother in an affidavit stating that they "were able to secure at (their) own ways and means a new Title of the subject property in favor of [Lupa Realty]."

To prove that Nonito really sold the subject property to him, Moriel presented Onorio Rumbaoa [(Onorio)], who testified that he was the agent of the sale between Nonito and Moriel. Onorio testified that both Nonito and Moriel are his townmates and he arranged for the two to meet when Nonito wanted to sell the subject property. According to Onorio, when he remarked to Nonito that the OCT was not in his name, Nonito showed him the deed of sale executed by Tranquilino to prove that he (Nonito) already own[ed] the subject property. Onorio testified that after Moriel agreed to purchase the property, the three of them (Nonito, Moriel and Onorio) went to the notary public where they signed the deed of sale, with Onorio as witness. Moriel corroborated the testimony of Onorio with regard to the details of the sale to him of the subject property by Nonito.

Finally, Nonito testified that he only borrowed money from Moriel and denied having sold the subject property to him. According to Nonito, he gave Moriel a collateral for the purported loan but it was not the subject

property. When asked on cross-examination what the collateral was, Nonito could not say. When asked how Moriel came into possession of the OCT in Tranquilino's name, Nonito also could not say.

After due proceedings, the trial court rendered a decision with the following disposition:

"WHEREFORE, premises considered, the Court declares and Orders that:

1. OCT (*sic*) No. P-109129 in the name of Lupa Realty is null and void, hence, the Register of Deeds, Tuguegarao, Cagayan is ordered to immediately cancel the same;
2. TCT (*sic*) No. T-46041 in the name of the plaintiff is reinstated and the property subject of the same is reconveyed to the plaintiff;
3. Defendant shall pay plaintiff attorney's fees in the amount of P30,000.00;
4. Third Party Defendant Moriel Urdas shall pay Defendant/Third Party Plaintiff Lupa Realty the amount of P551,394 plus legal interest from the time the Third Party complaint was filed until full satisfaction of this judgment;
5. Fourth Party Defendant Nonito Agbayani pays Third Party Defendant/Fourth Party Plaintiff Moriel Urdas the amount of P286,698.32 plus legal interest from the time the Fourth Party complaint was filed up to full satisfaction of this judgment;
6. For the same reason that the Court allows the plaintiff to collect attorney's fees from the Defendant, the 3<sup>rd</sup> party defendant is likewise adjudged to pay the Third Party plaintiff reasonable attorney's fees in the amount of P30,000.00. Likewise 4<sup>th</sup> party plaintiff is entitled to collect from the 4<sup>th</sup> party defendant the amount of P30,000.00 by way of attorney's fees.

The other damages sought in the 3<sup>rd</sup> party and 4<sup>th</sup> party complaints as well as the parties' respective counter claims are denied for lack of merit.

SO ORDERED."

Hence, [the] appeal by [Lupa Realty to the CA.] [6]

### ***Ruling of the CA***

The CA in its Decision dated September 14, 2011 granted the appeal. The CA held that the conclusions reached by the RTC are not in accord with law and the evidence on record; therefore, the reversal of the trial court's decision is warranted.<sup>[7]</sup>

The CA ruled that Tranquilino failed to discharge his burden to present clear and convincing evidence to overthrow the presumption of regularity in the execution on January 21, 1992 of the *Deed of Absolute Sale* (1992 DAS) in favor of his brother Nonito and to prove his allegation of forgery regarding his signature.<sup>[8]</sup> According to the CA, Tranquilino's insistence that he could not have signed the 1992 DAS because he was in America at that time<sup>[9]</sup> was insufficient.<sup>[10]</sup> Further, the CA stated that the fact that there is a *Deed of Absolute Sale* (1997 DAS) purportedly executed by Tranquilino on October 29, 1997 in favor of Lupa Realty, which Moriel and his mother used in registering the sale to Lupa Realty, is not sufficient in itself to invalidate Transfer Certificate of Title (TCT) No. T-109129 in the name of Lupa Realty.<sup>[11]</sup>

In fine, the CA ruled in favor of the dismissal of Tranquilino's complaint based on the lack of evidence regarding his forgery allegation and its postulation that his action for declaration of nullity of the 1997 DAS is not the direct proceeding required by law to attack a Torrens certificate of title since it cannot be collaterally attacked.<sup>[12]</sup>

The dispositive portion of the CA Decision states:

**WHEREFORE**, the **Decision**, dated 15 June 2009, of the Regional Trial Court, Branch 7, Aparri, Cagayan, in Civil Case No. 07-532 is **REVERSED** and **SET ASIDE**. Tranquilino Agbayani's complaint, as well as Lupa Realty's third-party complaint, Moriel Urdas' fourth-party complaint, and all parties' counterclaims, are **DISMISSED**.

**SO ORDERED.**<sup>[13]</sup>

Tranquilino filed a motion for reconsideration, which was denied by the CA in its Resolution<sup>[14]</sup> dated March 9, 2012.

Hence, the instant Rule 45 Petition. Lupa Realty filed its Comment<sup>[15]</sup> dated October 8, 2012. Tranquilino filed a Reply<sup>[16]</sup> dated June 28, 2013.

### ***The Issues***

The Petition raises the following issues:

1. whether the CA erred in reversing the RTC Decision that declared the nullity of TCT No. T-109129 in the name of Lupa Realty;
2. whether the CA erred in reversing the RTC Decision on the ground that the RTC erred in ordering the cancellation of the TCT under Lupa Realty's name because the action filed by Tranquilino constitutes a collateral attack on a Torrens title; and
3. whether the CA erred in recognizing and protecting Lupa Realty's right as an innocent purchaser for value (IPV).

### ***The Court's Ruling***

The Petition is meritorious.