

SECOND DIVISION

[G.R. No. 226065, July 29, 2019]

**HEIRS OF SOLEDAD ALIDO, PETITIONERS, VS. FLORA CAMPANO,
OR HER REPRESENTATIVES AND THE REGISTER OF DEEDS,
PROVINCE OF ILOILO, RESPONDENTS.**

DECISION

REYES, J. JR., J.:

Before the Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court seeking to reverse and set aside the January 20, 2016 Decision^[1] and the May 31, 2016 Resolution^[2] of the Court of Appeals-Cebu City (CA) in CA-G.R. CV No. 04983, which reversed the September 24, 2012 Decision^[3] of the Regional Trial Court, Branch 33, Iloilo City (RTC).

The present controversy revolves around a parcel of land in Barangay Abang-Abang,^{*} Alimondian, Iloilo covered by Original Certificate of Title (OCT) No. F-16558 and registered under the name of Soledad Alido (Alido).

Factual background

On March 17, 1975, Alido was able to register the said parcel of land under her name. In 1978, Flora Campano (respondent) was able to take possession of the land and the owner's duplicate of OCT No. F-16558, and paid its realty taxes. Allegedly, Alido had sold the property to her.^[4]

On September 18, 1996, Alido died leaving behind her children, namely Reynaldo Almendral, Maggie Almendral-Sencil and Rodrigo Almendral. On September 8, 2009, the heirs of Alido (petitioners) executed a Deed of Adjudication of the above-mentioned property and sought to register the property in their names. As such, they needed to retrieve OCT No. F-16558, but respondent refused to do so. Thus, they were constrained to file a verified petition before the RTC for respondent to surrender the owner's duplicate of the title.^[5]

RTC Decision

In its September 24, 2012 Decision, the RTC granted petitioners' petition and ordered respondent to surrender the owner's duplicate of OCT No. F-16558. The trial court ruled that since Alido is the registered owner of the property, respondent cannot assert any right over the same and that the payment of realty taxes does not prove ownership over the property. It explained that as registered owner of the land, Alido's right cannot be defeated by prescription. The RTC also expounded that the purported sale between Alido and respondent was not valid because it was an oral sale. The trial court posited that the law requires that the sale of real property

must appear in a public instrument. It expounded that the delivery of the certificate of title did not create a valid sale. Thus, it disposed:

IN VIEW THEREOF, judgment is hereby rendered in favor of the petitioners and against the respondent, whereby respondent Flora Campano is ordered to surrender the owner's duplicate certificate of Original Certificate of Title No. F-16558 with the Register of Deeds for the Province of Iloilo. In the event that the said respondent is not amenable to the process of this Court, the Register of Deeds is directed to annul the owner's duplicate certificate of Original Certificate of Title No. F-16558 in the possession of the latter and to issue new owner's duplicate certificate of Original Certificate of Title No. F-16558 in lieu thereof which shall contain a memorandum of the annulment of the outstanding duplicate copy and to carry whatever entries or annotations made thereat before its annulment but shall, in all respects, be entitled to like faith and credence as the original owner's duplicate certificate of title, upon payment of the required fees thereof.

SO ORDERED.^[6]

Aggrieved, respondent moved for reconsideration, but it was denied by the RTC in its January 23, 2013 Resolution.^[7]

Undeterred, respondent appealed to the CA.

CA Decision

In its January 20, 2016 Decision, the CA granted respondent's appeal and dismissed the verified petition of petitioners. The appellate court explained that an oral sale of real property is not void, but only unenforceable under the Statute of Frauds. Nevertheless, it elucidated that it was only applicable to executory contracts and not to partially or completely executed contracts. The CA highlighted that the oral sale of the subject parcel of land between respondent and Alido had been executed. The appellate court noted that respondent possessed the owner's duplicate of title, she had paid the realty taxes, and was in peaceful possession of the land since 1978.

However, the CA observed that the sale between Alido and respondent was void because it violated the terms of the former's free patent application. The appellate court noted that the free patent was issued on March 17, 1975 while the sale took place in 1978 — violating the five-year restriction of alienating lands subject of a free patent.

Nonetheless, the CA postulated that petitioners cannot seek redress because their action had been barred by laches. The appellate court pointed out that respondent had possessed the property and had custody of OCT No. F-16558 since 1978 without Alido ever questioning her occupation over the property. In addition, it noted that petitioners waited for 14 more years before they filed their verified petition against respondents. Thus, it disposed:

IN LIGHT OF THE FOREGOING, the instant appeal is GRANTED. The Decision dated September 24, 2012 of the RTC, Branch 33, Iloilo City in Cad. Case No. Free Patent, is REVERSED and SET ASIDE. The complaint filed by the heirs of Soledad Alido is DISMISSED.

SO ORDERED.^[8]

Unsatisfied, petitioners moved for reconsideration, but it was denied by the CA in its May 31, 2016 Resolution.

Hence, this present petition, raising:

The Issues

I

WHETHER THERE WAS A VALID SALE OF REAL PROPERTY BETWEEN ALIDO AND RESPONDENT; and

II

WHETHER PETITIONERS' ACTION HAD BEEN BARRED BY LACHES.

Petitioners argue that a Torrens Title is indefeasible, incontrovertible and imprescriptible. As such, they believe that Alido's title cannot be defeated by respondent's adverse possession. In addition, petitioners lament that respondent had no document to prove that Alido really sold the parcel of land to her. They insist that as legal owners of the parcel of land, they are entitled to recover the owner's duplicate of OCT No. F-16558 from respondent.

Further, petitioners aver that in the interest of higher justice, laches should not be applied as injustice would be perpetrated should the owner's duplicate of the title be not returned to them. They reiterate that a certificate of title is proof of ownership that cannot be defeated even by adverse possession or acquisitive prescription.

In its Comment^[9] dated March 9, 2017, respondent countered that laches barred petitioners from instituting their verified petition before the RTC because for more than three decades, she had possessed the land in the concept of an owner with the explicit knowledge of Alido and her heirs. She manifested that it took 32 years before petitioners had acted on their rights.

Likewise, respondent pointed out that petitioners failed to show proof to dispute the sale between her and Alido. She highlighted that Alido and her heirs had stopped paying the realty taxes over the property after it was sold to her. Also, respondent explained that the fact the sale was not reflected in a public document did not render it void. She expounded that petitioners' argument that a Torrens Title cannot be defeated by prescription is misplaced because Alido had already sold the property

to her.

In their Reply^[10] dated September 14, 2017, petitioners reiterated the arguments they had raised in their Petition for Review on *Certiorari*.

The Court's Ruling

The petition is meritorious.

A Torrens Title is indefeasible in that it could not be assailed collaterally and it cannot be altered, modified or cancelled except in a direct proceeding in accordance with law.^[11] In addition, ownership supported by a certificate of title can neither be defeated by adverse, open and notorious possession nor prescription.^[12] As such, prescription and laches do not apply to registered land covered by the Torrens System.^[13]

Acting on this premise, petitioners believe that respondent cannot defeat their claim of ownership because it is supported by a certificate of title issued in the name of their predecessor. A circumspect analysis of respondent's position, however, shows that the validity of OCT No. F-16558 was never assailed in any way. Respondent never challenged the certificate of title based on an independent and adverse possession. Rather, she claims ownership over the property by virtue of an oral sale between her and Alido. Thus, it can be readily seen that respondent never contested petitioners' rights based on acquisitive prescription. She simply asserts that petitioners no longer derived any right over the property upon Alido's death because it was already sold to her prior to the demise of their mother.

Thus, petitioners err in harping on the indefeasibility of title in asserting their right to possess OCT No. F-16558. The validity of OCT No. F-16558 was never questioned. Respondent anchors her claim on a transmission of rights by virtue of an oral sale between her and Alido.

Oral Sale of real property

The RTC granted petitioners' verified petition as it ruled that they were the legal owners of the land covered by OCT No. F-16558. The trial court postulated that there was no valid sale between Alido and respondent because Article 1358 of the Civil Code expressly requires that the sale of real property must appear in a public document and that the delivery of OCT No. F-16558 did not validate the transaction. On the other hand, the CA explained that an executed oral sale of real property is valid and binding among the parties.

Contracts which have all essential requisites for their validity are obligatory regardless of the form they are entered into, except when the law requires that a contract be in some form to be valid or enforceable.^[14] Article 1358 of the Civil Code provides that the following must appear in a public instrument:

- (1) Acts and contracts which have for their object the creation, transmission, modification or extinguishment of real rights

over immovable property; **sales of real property or of an interest therein are governed by articles 1403, No. 2, and 1405;**

- (2) The cession, repudiation or renunciation of hereditary rights or of those of the conjugal partnership of gains;
- (3) The power to administer property, or any other power which has for its object an act appearing or which should appear in a public document, or should prejudice a third person;
- (4) The cession of actions or rights proceeding from an act appearing in a public document. (Emphasis supplied)

Article 1403(2) of the Civil Code, or otherwise known as the Statute of Frauds, requires that covered transactions must be reduced in writing, otherwise the same would be unenforceable by action. In other words, sale of real property must be evidenced by a written document as an oral sale of immovable property is unenforceable.

Nevertheless, it is erroneous to conclude that contracts of sale of real property without its term being reduced in writing are void or invalid. In *The Estate of Pedro C. Gonzales v. The Heirs of Marcos Perez*,^[15] the Court explained that failure to observe the prescribed form of contracts do not invalidate the transaction, to wit:

Nonetheless, it is a settled rule that the failure to observe the proper form prescribed by Article 1358 does not render the acts or contracts enumerated therein invalid. It has been uniformly held that the form required under the said Article is not essential to the validity or enforceability of the transaction, but merely for convenience. The Court agrees with the CA in holding that a sale of real property, though not consigned in a public instrument or formal writing, is, nevertheless, valid and binding among the parties, for the time-honored rule is that even a verbal contract of sale of real estate produces legal effects between the parties. Stated differently, although a conveyance of land is not made in a public document, it does not affect the validity of such conveyance. Article 1358 does not require the accomplishment of the acts or contracts in a public instrument in order to validate the act or contract but only to insure its efficacy.

Further, the Statute of Frauds applies only to executory contracts and not to those which have been executed either fully or partially.^[16] In *Swedish Match, AB v. Court of Appeals*,^[17] the Court expounded on the purpose behind the requirement that certain contracts be reduced in writing, viz.:

The Statute of Frauds embodied in Article 1403, paragraph (2), of the Civil Code requires certain contracts enumerated therein to be evidenced by