

SECOND DIVISION

[G.R. No. 195908, August 15, 2018]

**JOSE A. BERNAS AND THE WHARTON RESOURCES GROUP
(PHILIPPINES), INC., PETITIONERS, V. THE ESTATE OF FELIPE
YU HAN YAT, REPRESENTED BY HERO T. YU, RESPONDENT.**

[G.R. No. 195910, August 15, 2018]

**FELOMENA S. MEJIA (DULY SUBSTITUTED BY HEIRS CARMELITA
S. PONGOL AND MAGDALENA S. TUMAMBING), PETITIONERS, V.
FELIPE YU HAN YAT, RESPONDENT.**

D E C I S I O N

CAGUIOA, J:

These are consolidated Petitions for Review on Certiorari (Petitions) under Rule 45 of the Rules of Court assailing the Decision^[1] of the Court of Appeals (CA) Seventeenth Division dated December 14, 2010 in CA-G.R. CV No. 82681 and the Resolution^[2] dated February 28, 2011 denying the Motion for Reconsideration filed by the petitioners.

Facts

The present case involves a parcel of land known as Lot 824-A-4 (subject property), covered by Transfer Certificate of Title (TCT) No. RT-28758 (30627) PR-9639 (TCT No. 30627), located at Brgy. Matandang Balara, Quezon City, consisting of 30,000 square meters, more or less, which is part of Lot 824 of the Piedad Estate containing an area of 147,072 square meters registered in the name of respondent Felipe Yu Han Yat (Yu Han Yat).^[3]

Yu Han Yat subdivided the subject property into 60 lots under Subdivision Plan Psd-13-018013, duly approved by the Bureau of Lands on August 13, 1991, as part of his plan to develop and convert the subject property.^[4] As a consequence, TCT No. 30627 was cancelled and derivative titles, namely TCT Nos. 47294 to 47353 (Yu Han Yat TCTs), were issued in his name.^[5]

To finance his plan of developing the subject property, Yu Han Yat applied for loans with several banks using some^[6] of the Yu Han Yat TCTs as security. However, when the mortgage instruments^[7] were presented for registration, the Register of Deeds of Quezon City refused to record the same on the ground that the Yu Han Yat TCTs overlapped with the boundaries covered by another title: TCT No. 336663 registered in the name of Esperanza Nava (Nava).^[8] However, in *Consulta* No. 2038^[9] issued on October 15, 1992, the Land Registration Authority (LRA) reversed the action taken by the Register of Deeds, and ordered the registration of the mortgage instruments on Yu Han Yat's TCTs.^[10]

Meanwhile, petitioners Jose A. Bernas (Bernas) and Felomena S. Mejia (Mejia) claimed ownership over the subject property. They claim that Nava was the registered owner of a parcel of land covered by TCT No. 336663 until she sold parts of the said lot to Mejia and Gregorio Galarosa (Galarosa).^[11] On September 15, 1986, Mejia executed with Nava a Deed of Sale with Right of Redemption by virtue of which Mejia acquired the real property covered by TCT No. 336663, subject to Nava's right to redeem the same.^[12] When Nava failed to redeem the property, Mejia then filed a petition for consolidation of title under her name. The petition was granted in a Decision dated June 28, 1990 in Civil Case No. Q-90-5211 rendered by Branch 85 of the Regional Trial Court (RTC) of Quezon City.^[13]

Since TCT No. 336663 bore the annotation "subject to verification," the Register of Deeds of Quezon City referred the matter to the LRA for consultation. In a Resolution dated March 15, 1991, in LRA *Consulta* No. 1890,^[14] the LRA upheld the registrability of TCT No. 336663 in the name of Mejia. In LRA *Consulta* No. 1890, the LRA reasoned that a court decision is needed to categorically determine that the titles from which TCT No. 336663 were derived were spurious before it could order that the encumbrance was not registrable. Thus:

In his letter of January 22, 1991, the herein petitioner [Register of Deeds of Quezon City] elevated en *consulta* to this authority the registrability of the deed of sale with right of redemption executed by Nava in favor of Mejia, it appearing that Nava's title, Transfer Certificate of Title no. 336663, contains a memorandum that the same is subject to verification by the Verification Committee on Questionable Titles which was annotated thereon pursuant to Ministry of Justice Opinion No. 239 dated November 4, 1982. The only issue, therefore, to be resolved is whether or not the deed of sale with right of redemption may be registered.

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Considering that the findings of the Verification Committee that the Dominga Sumulong title was fabricated and non-existent cannot justify the suspension of registration of deeds affecting titles derived from Sumulong's reconstituted title and that this Office will be pre-empting the court's judgment on the matter if it were to suspend registration of documents involving titles it has administratively determined to be fabricated, there appears to be no more constraint in the registration of the deed of sale with right of redemption. This is especially true in this case where the court has already ordered the consolidation of ownership in favor of Felomena S. Mejia and directed the Register of Deeds to cancel Transfer Certificate of Title No. 336663 and issue, in lieu thereof, a transfer certificate of title in the name of Mejia.^[15] (Underscoring omitted)

Hence, by virtue of the said Resolution, the Deed of Sale with Right of Redemption was annotated on the title of the subject property.

On February 21, 1992, Bernas, for and on behalf of Wharton Resources Group (Philippines), Inc. (Wharton), entered into a Memorandum of Agreement^[16] with Mejia whereby the latter agreed to sell to Wharton the parcel of land covered by TCT

No. 336663. Subsequently, a Deed of Sale^[17] was entered into between Mejia and Wharton conveying to the latter the subject property.

In April 1992, Bernas discovered that there was another title covering about three hectares which overlapped a portion of the property registered under TCT No. 336663.^[18] This other title, TCT No. 30627, indicated Yu Han Yat as the registered owner pursuant to subdivision plan Psd-2498 of a parcel of land located in Bayanbayanan, Marikina.^[19]

On June 24, 1992, Bernas filed an Affidavit of Adverse Claim on Yu Han Yat's TCTs, claiming that a Deed of Sale was executed between himself, for and on behalf of Wharton, and Mejia over the realty covered by TCT No. 336663 which overlaps portions covered by Yu Han Yat's TCTs.^[20]

On the basis of this adverse claim filed by Bernas, the Register of Deeds of Quezon City refused to record the subject mortgages affecting the Yu Han Yat TCTs. This prompted Yu Han Yat to file another *consulta* with the LRA which, in a Resolution dated October 15, 1992, ordered the registration of the mortgage to the properties.^[21]

Afterwards, on September 18, 1992, Yu Han Yat filed a Petition for Quieting of Title^[22] before the RTC of Quezon City docketed as Civil Case No. Q-92-13609 against the Estate of Nava (represented by Antonio N. Crismundo), Galarosa, Mejia, Bernas, and the Register of Deeds of Quezon City (Estate of Nava, et al.).^[23] Mejia then filed an Answer with Compulsory Counterclaims^[24] and claimed, among others that, (a) Yu Han Yat's title, TCT No. 30627, was invalid because it originated from TCT No. 8047, which was issued on the basis of a spurious subdivision plan, Psd-2498; (b) Psd-2498 was spurious because it represents to cover a parcel of land located in Barrio Bayanbayanan, Marikina, whereas the actual location of Lot 824 Piedad Estate was in Caloocan City and Quezon City; and (c) the registrability of Mejia's rights and ownership over the subject property was sustained by the LRA in LRA *Consulta* No. 1890.^[25] Bernas also filed an Answer with Application for Injunctive Relief^[26] dated December 10, 1992 to restrain Yu Han Yat from undertaking development works on the subject property.

On December 20, 1993, the RTC issued an Order^[27] granting Bernas' application for preliminary injunction. The RTC, in the said Order, stated that:

This Court finds the respondents to have amply proven their entitlement to the relief. Petitioner in this case has failed to convince this Court to act otherwise. The Court takes notice of a number of allegations brought up by petitioner's witness in the person of Atty. Bustos, however, the short of it all is that the respondents' title which is traced back from the title of Dominga Sumulong remains valid and subsisting insofar as the lot in question is concerned. Under the decisions rendered in Civil Case No. Q-11962 of then Court of First Instance of Rizal, Branch 9, Quezon City entitled Zaida M. Santos vs. Dominga Sumulong and in Civil Case No. 11180 entitled Pilar Ibanez Vda. De Suzuaregui et al., vs Constitutional Hills Deverlopment (*sic*) Corporation, Dominga Sumulong, et al.; it is stated therein that the title of Dominga Sumulong is not wholly null and

void but only insofar as the lots involved are concerned which does not particularly refer to the lot in question in the instant case.^[28]

On August 12, 1994, Yu Han Yat filed an Amended Petition^[29] dated August 9, 1994 to implead Wharton, in view of the fact that the latter was the beneficial owner of the subject property and that Bernas was only its agent.^[30] On October 3, 1994, Bernas and Wharton filed an Amended Answer to Amended Petition^[31] dated September 29, 1994, adding the following affirmative defenses: (a) that Yu Han Yat's Amended Petition stated no cause of action because petitioners are innocent purchasers for value; and (b) although there was an annotation in TCT No. 336663 that the same was "subject to verification," the registrability of the title was nevertheless upheld in LRA *Consulta* No. 1890. The Amended Answer likewise interposed a cross-claim against Mejia for possible breach of her Memorandum of Agreement with Bernas.^[32]

Trial ensued, and on March 15, 2004, the RTC issued a Decision^[33] ruling in favor of the Estate of Nava, et al., and Wharton. The trial court reasoned as follows:

Based on the records and evidence presented[,] the properties subject of the controversy are TCT No. 30627 of the petitioner (Exhibit "G") and TCT No. 336663 (Exhibit "6" for Mejia as adopted by Bernas). Details underlying the procurement of those titles from the parties were quite overwhelming. But the history of how such titles came about does not convince the court to grant the relief sought by the petitioner.

Careful reading of the amended petition shows the evident objective of the claim – that is to nullify the respondents' title (TCT 336663) (*Rollo*, page 276, Volume 1) that runs to the very core of challenging the indefeasibility of Torrens title seeking succor under the guise of a petition for quieting of title.

Undeniably, the amended petition admits that petitioner's title overlaps with TCT No. 336663 (paragraphs 7 and 14, Amended Petition, *Rollo*, pages 212-21 A, Volume 1). The petition likewise cited *Consulta* No. 2038 (Exhibit "O") of the Land Registration Authority, from which petitioner wanted to conclude that TCT No. 336663 is of doubtful authenticity. The petitioner, however, contradicted himself when in his Memorandum he conceded that the findings of the Land Registration Commission is not binding upon this court. This leads to a point where the Government, through the Solicitor General, filed a nullification and cancellation proceedings (*sic*) (Exhibit "JJ") against Esperanza Nava from whom respondents Bernas and Mejia derived title to TCT No. 336663. The case was cited by petitioner in the petition and he jumped into conclusion that it constituted full knowledge upon respondents that indeed TCT No. 336663 is void and ineffective (Paragraphs 17 and 18, Amended Petition, *Rollo*, page 275, Volume 1) without evidence of a decision from Branch 102 of the Regional Trial Court of Quezon City which heard the case. It was in stark contrast to the evidence presented by respondent Galarosa that the court ordered the Government to submit proof of service of summonses within ten (10) (*sic*) from completion lest the court will be constrained to dismiss or archive the case (Exhibit "17"). The records do not account up to this time on the progress of said case. What is

apparent is the similar action filed by the Government against Amado R. Santos, the predecessor-in-interest of Esperanza Nava for nullification and cancellation proceedings of titles that included the latter's title. The case docketed as Civil Case No. Q-52834 before Branch 95 of this jurisdiction was dismissed for lack of merit (Exhibit "16" for Galarosa).

The very import of these pieces of evidence is that the petition misleads the court into believing that TCT No. 336663 has been decisively concluded to be void and ineffective. While it is true that TCT No. 336663 bears an annotation which reads: "This title is subject to verification by the LRC Verification Committee on questionable titles, plans[,] decrees and other documents" (Exhibit "KK-1" Exhibit "8-Galarosa"), this court has yet to await a final decision or decree that would indeed declare the questioned title null and void. Proof of which is incumbent upon the petitioner.

It is worthy to note that respondent Bernas' Memorandum quickly pointed out that petitioner's title which was based on plan PS 2498 (*sic*) referred to a parcel of land located in Bayanbayanan, Marikina, Metro Manila (Exhibit "I-Mejia" and Exhibit "E"-Petitioner) which is poles apart from respondents' title that covered a land in Matandang Balara, Quezon City. Petitioner did not present convincing evidence to overturn such fact except to plainly state that "the person who prepared the Survey Plan may have been confused as to the Property's (*sic*) exact location". Although petitioner went on to prove that his property covered by TCT No. 30627 was in Quezon City as he presented Commonwealth Act No. 502 (Exhibit "A"). Nowhere in said evidence proved that Bayanbayanan, Marikina was set to form part of the boundaries of Quezon City under Section 3 thereof. Simply put, the petitioner utterly failed to discharge the burden of proving the sustainability of his posture.

It is a well entrenched rule that in an action for quieting of title, the petition must prove legal or equitable title to the land as the far reaching implication of which is quieting titled lands and putting to stop forever any question of legality of the registration in the certificate or questions that may arise therefrom. To allow the petitioner to nullify the title of the respondents to the property in question would mean an obvious collateral attack which is not permitted under the principle of indefeasibility of a Torrens title. **"A certificate of title cannot be subject to collateral attack and can be altered modified or cancelled only in a direct proceeding in accordance with law."** (*Virginia Calalang vs. Register of Deeds of Quezon City, et. al., G.R. No. 76265, March 11, 1994*)^[34] (Emphasis in the original)

Aggrieved, Yu Han Yat appealed the above Decision of the RTC to the CA.

In its Decision, the CA granted Yu Han Yat's appeal and held that: (a) the petition for quieting of title, and the petition for annulment of title are essentially the same; and (b) Bernas and Mejia's title was void as they source their ownership from Dominga Sumulong's title to the property which had been declared as null and void by the CA in previous cases. The CA also awarded actual damages, moral damages, exemplary damages, and attorney's fees in favor of Yu Han Yat. Herein petitioners