

## THIRD DIVISION

[ G.R. No. 211425, November 19, 2018 ]

**HEIRS OF TOMAS ARAO, REPRESENTED BY PROCESO ARAO, EULALIA ARAO-MAGGAY, GABRIEL ARAO AND FELIPA A. DELELIS, PETITIONERS, VS. HEIRS OF PEDRO ECLIPSE, REPRESENTED BY BASILIO ECLIPSE; HEIRS OF EUFEMIA ECLIPSEPAGULAYAN, REPRESENTED BY BASILIA P. CUARESMA; HEIRS OF HONORATO ECLIPSE, REPRESENTED BY VICENTE ECLIPSE, JUANITA E. AGAMATA AND JIMMY ECLIPSE; AND HEIRS OF MARIA ECLIPSE-DAYAG, REPRESENTED BY OSMUNDO E. DAYAG, RESPONDENTS.**

### DECISION

**J. REYES, JR., J.:**

#### *The Case*

Before Us is a Petition for Review on *Certiorari*<sup>[1]</sup> filed under Rule 45 of the Rules of Court assailing the Decision<sup>[2]</sup> dated June 7, 2013 and the Resolution<sup>[3]</sup> dated January 30, 2014 of the Court of Appeals (CA), in CA-G.R. CV No. 93660, which reversed and set aside the Decision<sup>[4]</sup> dated April 23, 2009 of the Regional Trial Court (RTC) of Tuguegarao City, Cagayan, Branch 5, in Civil Case No. 5892, for Declaration of Nullity of a Deed of Absolute Sale and Reconveyance of Lot No. 1667, Recovery of Ownership and Possession with Damages.

#### *The Facts*

Subject of the controversy is a 5,587-square-meter land, known as Lot No. 1667 situated in Ugac Sur, Tuguegarao City, Cagayan, originally owned by Policarpio Eclipse (Policarpio), married to Cecilia Errera (spouses Eclipse), and covered by Original Certificate of Title (OCT) No. 1546.<sup>[5]</sup>

In 1994, respondents (spouses Eclipse's successors-in-interest) discovered that the land in question had been subject of a Deed of Absolute Sale dated September 5, 1969<sup>[6]</sup> by which the registered owner, Policarpio, with the consent of his wife Cecilia, sold the land in question to Tomas Arao (Tomas), married to Tomasa Balubal.<sup>[7]</sup> They averred that the sale was registered, resulting in the cancellation of OCT No. 1546, which was replaced by Transfer Certificate of Title (TCT) No. T-13798<sup>[8]</sup> in the name of Tomas, married to Terasa Balubal.<sup>[9]</sup> On June 30, 1977, Tomas executed a Deed of Absolute Sale<sup>[10]</sup> of the subject land in favor of his children Eulalia, Proceso and Felipa Arao, whose heirs are herein petitioners. Eventually, Eulalia and Felipa registered the land in their names as TCT No. T-39071.

Respondents maintained that the said Deed of Sale dated September 5, 1969 was a

forgery because at the time of its execution, Policarpio and Cecilia were already dead. Policarpio died on November 21, 1936, while Cecilia died on June 3, 1925. Respondents thus argued that on the basis of the said forged deed, the subsequent transfer from Tomas to Eulalia and Felipa was likewise void. Hence, they filed the present action for Nullity of a Deed of Absolute Sale and Reconveyance of Lot No. 1667, Recovery of Ownership and Possession with Damages<sup>[11]</sup> against herein petitioners, the heirs of Tomas.

Petitioners moved for the dismissal of the complaint on the ground of prescription, arguing that actions for annulment of title and reconveyance prescribe in 10 years.<sup>[12]</sup> Their motion was denied in a Resolution<sup>[13]</sup> dated June 7, 2002.

Thus, in their Answer with Counterclaim,<sup>[14]</sup> petitioners countered respondents' allegation by stating that the children of spouses Eclipse, namely, Pedro, Eufemia, Honorato and Maria Eclipse sold the subject land to Paulino Arao (Paulino), married to Balbina Cancino, per Deed of Sale<sup>[15]</sup> dated June 25, 1940. Paulino and Balbina died intestate and without an heir except Paulino's brother, Tomas.<sup>[16]</sup> On June 30, 1977, Tomas sold it to his children Eulalia, Proceso and Felipa, and the latter registered the land in their names as TCT No. T-39071.<sup>[17]</sup> During trial, petitioners also presented a Deed of Sale dated November 14, 1949 executed by a certain Gavino Arao (Gavino), who was later identified as the son of Paulino, in favor of Tomas.

### ***Ruling of the RTC***

On April 23, 2009, the RTC rendered a Decision dismissing the complaint and counterclaim on the ground of laches. The RTC ruled that the Deed of Sale dated September 5, 1969 in favor of Tomas was a forgery. Since the said Deed was a forgery, it conferred no right in favor of Tomas' heirs. But despite the findings of nullity, the RTC still dismissed the complaint as laches had set in. The RTC ruled:

When Tomas registered the fake deed of sale (Exhibit "B") and Transfer Certificate of Title No. T-13793<sup>[18]</sup> (Exhibit "3") was issued to him on 09 September 1969, the situation was significantly altered. As of that date, 09 September 1969, the plaintiffs were deemed to have constructive notice of the cancellation of Original Certificate of Title No. 1546 (Exhibit "A") and the issuance to Tomas Arao of Transfer Certificate of Title No. 13793 (Exhibit "3")<sup>[19]</sup> in his name. Consequently, the plaintiffs' cause of action to have Tomas' title be annulled and to recover ownership and possession of the land in question arose as of 09 September 1969. Plaintiffs filed their complaint only on 12 October 2001. In short, they slept on their rights for 32 years, 1 month and 4 days.<sup>[20]</sup>

Respondents moved for reconsideration, but the said Motion was denied by the RTC in its Order<sup>[21]</sup> dated May 18, 2009. Thus, respondents filed an appeal with the CA.

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

On June 7, 2013, the CA issued the now appealed Decision<sup>[22]</sup> finding that the doctrine of laches is not applicable since respondents' cause of action is

imprescriptible pursuant to Article 1410 of the Civil Code. But nonetheless, the CA upheld the RTC 's findings that there was forgery and irregularities in the execution of the deed to Tomas, such that it conveys no title either to Tomas or to his children. The dispositive portion of the CA Decision reads as follows:

WHEREFORE, the instant appeal is hereby GRANTED. The April 23, 2009 Decision of the Regional Trial Court, Branch 5, Tuguegarao City, Cagayan is REVERSED and judgment is rendered:

1. Declaring null and void the Deed of Absolute Sale dated September 5, 1969 being fictitious and inexistent and without any legal force and effect; and
2. Ordering the Heirs of Tomas Arao, particularly Eulalia AraoMaggay and Felipa Arao-Delelis, to surrender possession of and reconvey to the Heirs of Pedro Eclipse title to Lot No. 1667.<sup>[23]</sup>

Petitioners filed a Motion for Reconsideration<sup>[24]</sup> of the aforesaid June 7, 2013 CA Decision. The said Motion was, however, denied by the CA in a Resolution<sup>[25]</sup> dated January 30, 2014.

Aggrieved, petitioners, on April 15, 2014, filed the instant petition with this Court.

In their appeal, petitioners argued that respondents are barred by laches from pursuing their cause of action against the petitioners given their inaction for more than 30 years, despite being fully aware of the petitioners' adverse possession and claim over the subject property. They also averred that their claim of ownership is not based on the forged Deed of Sale allegedly executed on September 5, 1969, but on the Deed of Sale entered into between the heirs of Policarpio and Paulino on June 25, 1940. However, assuming that the title of Tomas was fraudulent, petitioners maintained that they nevertheless acquired a valid right and legal title thereon being buyers in good faith and for value, pursuant to the settled rule that a forged deed of sale may be a valid source of legal rights. Finally, petitioners averred that respondents are not entitled to the reconveyance of the subject property since they failed to prove that they are the owners of the lot in litigation and that petitioners' registration of the property is erroneous, fraudulent and wrongful. They argued that even assuming that reconveyance is proper, the 10-year prescriptive period to institute the same had long prescribed.

### ***The Issues***

From the arguments set forth by petitioners, three essential Issues were raised:

1. WHETHER OR NOT THE COURT OF APPEALS ERRED IN FINDING THAT LACHES IS NOT APPLICABLE IN THIS CASE.
2. WHETHER OR NOT THE COURT OF APPEALS ERRED IN DISREGARDING THE DEED OF SALE DATED JUNE 25, 1940 ENTERED INTO BETWEEN THE HEIRS OF POLICARPIO ECLIPSE AND PAULINO ARAO.
3. WHETHER OR NOT THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN NOT DECLARING PETITIONERS HEREIN AS BUYERS IN GOOD FAITH

AND FOR VALUE.<sup>[26]</sup>

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

Before resolving whether laches has set in, it is important to determine first how and by what contract Tomas (petitioners' predecessor-in-interest) acquired the title of the subject lot in his name. This is because if the assailed contract is void *ab initio*, then laches will not apply.

Article 1410 of the Civil Code states that an "action to declare the inexistence of a void contract does not prescribe." The foregoing provision is echoed by this Court in the case of *Fil-Estate Golf and Development, Inc. v. Navarro*<sup>[27]</sup> when it held that a complaint for cancellation of title based on the nullity of the deed of conveyance does not prescribe. In other words, an action that is predicated on the fact that the conveyance complained of was null and void *ab initio* is imprescriptible. And if the action is imprescriptible, it follows then that the defense of laches cannot be invoked. Thus:

*Laches* is a doctrine in equity and our courts are basically courts of law and not courts of equity. Equity, which has been aptly described as "justice outside legality," should be applied only in the absence of, and never against, statutory law. *Aequetas nunquam contravenit legis*. The positive mandate of Art. 1410 of the New Civil Code conferring imprescriptibility to actions for declaration of the inexistence of a contract should pre-empt and prevail over all abstract arguments based only on equity. Certainly, *laches* cannot be set up to resist the enforcement of an imprescriptible legal right, and petitioners can validly vindicate their inheritance despite the lapse of time.<sup>[28]</sup>

Records of the case reveal three different Deeds of Absolute Sale which directly and indirectly conveyed title to Tomas over the property in question.

First. The **September 5, 1969** Deed of Absolute Sale purportedly executed by the original owner, Policarpio, in favor of Tomas;

Second. The **November 14, 1949** Deed of Sale executed by Gavino, (the son of Tomas' brother, Paulino) in favor of Tomas; and

Third. The **June 25, 1940** Deed of Sale executed by the children of Policarpio, namely, Pedro, Eufemia, Honorato and Maria, in favor of Paulino, who, upon his death, transmitted, by operation of law, the subject property to his sole heir and brother, Tomas.

Respondents' present action is based on the nullity of the September 5, 1969 Deed of Absolute Sale.

When this 1969 Deed of Sale was executed, the seller thereof, Policarpio, was already deceased, having died on November 21, 1936. It is settled that the death of a person terminates contractual capacity.<sup>[29]</sup> If any one party to a supposed contract was already dead at the time of its execution, such contract is undoubtedly simulated and false, and, therefore, null and void by reason of its having been made after the death of the party who appears as one of the contracting parties therein.

[30] There is no doubt, therefore, that this 1969 Deed of Sale is spurious and the signature of the seller appearing thereon is forged. Suffice it to say, a forged deed is a nullity and conveys no title.[31] As a forged deed is null and void, and conveys no title, all the transactions subsequent to the alleged sale are likewise void.[32]

Since the Deed of Absolute Sale dated September 5, 1969 is null and void, it follows then that all the TCTs which were issued by virtue of the said spurious and forged document are also null and void.[33]

It was the registration of this forged Deed of Absolute Sale dated September 5, 1969 that caused the cancellation of OCT No. 1546 in the name of Policarpio and the issuance of the new title - TCT No. T-13798 in the name of Tomas, and subsequently, TCT No. T-39071 in the name of Tomas' children, petitioners' predecessors-in-interest. As admitted by petitioners, it was the 1969 Deed of Absolute Sale which they used to facilitate the transfer of the Certificates in the name of Tomas and, thereafter, in the name of their predecessors-in-interest, in order to cut short the circuitous process of registration.

Notwithstanding the fact that petitioners have in their favor the said certificates of title in their name, the same is of no beneficial effect on them. Their title cannot be used to validate the forgery or cure the void sale.[34] Verily, when the instrument presented is forged, even if accompanied by the owner's duplicate certificate of title, the registered owner does not thereby lose his title, and neither does the assignee in the forged deed acquire any right or title to the property.[35] As held:

Insofar as a person who fraudulently obtained a property is concerned, the registration of the property in said person's name would not be sufficient to vest in him or her the title to the property. A certificate of title merely confirms or records title already existing and vested. The indefeasibility of the Torrens title should not be used as a means to perpetrate fraud against the rightful owner of real property. Good faith must concur with registration because, otherwise, registration would be an exercise in futility. A Torrens title does not furnish a shield for fraud, notwithstanding the long-standing rule that registration is a constructive notice of title binding upon the whole world.[36]

Needless to state, all subsequent certificates of title, including petitioners' titles, are also void because of the legal truism that the spring cannot rise higher than its source.[37]

Petitioners' invocation of good faith is likewise unavailing. Petitioners admitted that they knew that the 1969 Deed of Sale was a forgery.[38] They justified resort to it (1969 Deed of Sale) not for the purpose of claiming title to the land, but only to cut short the circuitous process of transferring the title of the property from the original registered owner to Tomas, considering that the genuine Deed of Sale was executed as early as 1940 and Tomas is the fourth transferee of the property from the original owner. This candid admission on their part negates their claim of good faith. Good faith consists in the belief of the possessors that the persons from whom they received the thing are its rightful owners who could convey their title.[39] Petitioners' claim of good faith is debunked by their knowledge that the registration