

## SECOND DIVISION

[ G.R. No. 206008, June 07, 2017 ]

**DELFIN DOMINGO DADIS, PETITIONER, VS. SPOUSES  
MAGTANGGOL DE GUZMAN AND NORA Q. DE GUZMAN, AND THE  
REGISTER OF DEEDS OF TALAVERA, NUEVA ECIJA,  
RESPONDENTS.**

### DECISION

**PERALTA, J.:**

This petition for review on *certiorari* under Rule 45 of the Rules of Court (*Rules*) seeks to annul the July 30, 2012 Decision<sup>[1]</sup> and February 13, 2013 Resolution<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 87784, which reversed and set aside the November 10, 2005 Decision<sup>[3]</sup> and January 25, 2006 Order<sup>[4]</sup> of Regional Trial Court (RTC), Branch 33, Guimba, Nueva Ecija, and, in effect, dismissed the complaint filed by petitioner.

On September 8, 2003, petitioner Delfin Domingo Dadis (*Delfin*) filed a Complaint<sup>[5]</sup> for reconveyance and damages against respondents Spouses Magtanggol De Guzman (*Magtanggol*) and Nora Q. De Guzman (*Nora*) and the Register of Deeds (RD) of Talavera, Nueva Ecija. Delfin alleged that: he and his deceased wife, Corazon Pajarillaga-Dadis (*Corazon*), were the registered owners of a 33,494-square meter parcel of land located at Guimba, Nueva Ecija and covered by Transfer Certificate of Title (TCT) No. (NT-133167) N-19905;<sup>[6]</sup> on December 11, 1996, their daughter, Marissa P. Dadis (*Marissa*), entered into a contract of real estate mortgage (*REM*) over the subject property in favor of Magtanggol to secure a loan obligation of P210,000.00 that was payable on or before February 1997;<sup>[7]</sup> the Spouses De Guzman made it appear that Marissa was authorized by the Spouses Dadis by virtue of a Special Power of Attorney (*SPA*) dated December 10, 1996;<sup>[8]</sup> the SPA was a forged document because it was never issued by him or Corazon as the signatures contained therein are not theirs, especially so since he was in the United States of America (*USA*) at the time; it was only in November 1999, when Corazon died, that Magtanggol informed him of the transaction, but he could not remedy the situation as he had to go back to the USA in December 1999; when he returned to the Philippines in April 2002, he executed a SPA in favor of a friend, Eduardo Gunsay, to look into the matter and make the necessary actions; in 2003, he was able to procure copies of the documents pertaining to the mortgage, including the cancellation of their title and the issuance of a new one, TCT No. N-26572,<sup>[9]</sup> in favor of the Spouses De Guzman; after his verification, he immediately caused the filing of an Affidavit of Adverse Claim, which was annotated at the back of TCT No. N-26572;<sup>[10]</sup> neither he nor his family benefited from the loan secured by the mortgage; no demand letter, as well as notices of the foreclosure proceedings and the consolidation of title, were sent to him; and, in view of these, he is entitled to receive from the Spouses De Guzman the amounts of P200,000.00 as moral

damages, P500,000.00 as exemplary damages, P20,000.00 plus P1,000.00, per hearing as attorney's fees, interests, and other costs of suit.

In their Answer with Motion to Dismiss,<sup>[11]</sup> the Spouses De Guzman countered that Delfin has no cause of action against them, stating that: they have no knowledge as regards the supposed falsity of the SPA presented by Marissa and Corazon at the time the latter pleaded to accommodate them into entering a mortgage contract; they have no knowledge that Delfin was not in the Philippines at the time of the execution of the SPA, which, as a duly-notarized document, was presumed to have been done regularly; Delfin defaulted in paying the obligation despite several repeated demand, as in fact they even proceeded to his house in November 1999 and were able to talk to him; in view of his admission that he could not pay the amount involved, they were constrained to cause the registration of the REM with the RD on May 21, 2001; to give him enough time and opportunity to reacquire the property, it was only after three years from the time the obligation became due that they pursued and effected the foreclosure of the property; considering that he still failed to pay the obligation, the property was foreclosed on August 21, 2001, with them (*Spouses De Guzman*) as the highest bidder; as the property was not redeemed, the title thereto was consolidated in their names and TCT No. N-26572 was issued in their favor; they were in good faith from the time the property was mortgaged until it was foreclosed and they were able to help Delfin's family, who was financially distressed at the time; and, an action to annul the SPA executed in 1996 already prescribed. By way of counterclaim, the Spouses De Guzman pleaded that Delfin be ordered to pay them the amounts of P500,000.00 as moral damages, P500,000.00 as exemplary damages, P20,000.00 as attorney's fees, P20,000.00 as litigation expenses, and costs of suit.

After trial, the RTC established that Delfin was not in the Philippines on December 10, 1996 since, per his testimony that was corroborated by Martina Palaganas (*Martina*), he was in the USA from November 24, 1995 until he went home on November 13, 1999 when Corazon died; thus, he could not have signed the SPA authorizing Marissa to mortgage the property. Without his written consent, the mortgage is void since such act is not merely an act of administration but of ownership or dominion on the part of Corazon. Evidence on record, however, does not show that Magtanggol had a hand in the preparation of the SPA. Being duly notarized, he had the right to rely on what such public document purported to be. The presumption of good faith in his favor was not overcome. The trial court ruled that while the mortgage is void, the obligation of Corazon to Magtanggol is valid because the money she received redounded to the benefit of the family. The November 10, 2005 Decision disposed:

WHEREFORE, judgment is rendered:

1. Declaring the real estate mortgage made by Corazon Pajarillaga-Dadis, through her daughter Marissa, in favor of defendant Magtanggol de Guzman, without the consent of the plaintiff, void;
2. Ordering the Register of Deeds of Nueva Ecija, Talavera Branch, to [cancel] Transfer Certificate of Title No. 26572, and to reinstate Transfer Certificate of Title No. 133167 in the name of [Spouses] Delfin Domingo Dadis and Corazon Pajarillaga-Dadis;

3. Ordering the plaintiff to pay to the defendant-spouses Magtanggol de Guzman and Nora Q. de Guzman the sum of P210,000.00 with interest at 6% per annum from finality of judgment until full payment.

No pronouncement as to damages, there being no adequate showing of bad faith on the part of defendant Magtanggol de Guzman.

SO ORDERED.<sup>[12]</sup>

Only the Spouses De Guzman filed a motion for reconsideration, which was denied.

On appeal, the CA reversed and set aside the RTC Decision and dismissed Delfin's complaint for lack of merit. It conceded that, as found by the RTC and undisputed by the parties, the SPA had been forged. As to the issue of whether Magtanggol is a mortgagee in good faith and for value, it resolved in the affirmative by citing Our ruling in *Spouses Bautista v. Silva*.<sup>[13]</sup> The appellate court noted:

Here, the purported SPA bears the signatures of both **Corazon Pajarillaga-Dadis** and the plaintiff-appellee **Delfin Domingo Dadis**, the registered owners of the property subject of the real estate mortgage. It was **duly notarized** by Atty. Edwin F. Jacoba, Notary Public of Guimba, Nueva Ecija with PTR No. 5395500 dated January 5, 1996, who testified under seal that the principals (Spouses Dadis) appeared before him and executed the subject instrument and [acknowledged] the same to be his/her own free act and deed. The instrument was duly entered in the notarial book as Doc. No. 250, Page No. 43, Book No. XVI, Series of 1996. There is thus no apparent flaw on the face of the instrument that would cast doubt on its due execution and authenticity.

<sup>[14]</sup>

The motion for reconsideration filed by Delfin was denied; hence, this petition.

We grant.

The RTC and the CA agreed that the subject SPA had been forged. Such fact is not even contested before Us by the parties. Thus, the only remaining issue to be threshed out is whether Magtanggol is a mortgagee in good faith. Both the RTC and the CA held that he acted in good faith when he entered into the loan transaction secured by a mortgage. A difference lies, however, since while the RTC declared the mortgage void the CA opined that it is valid and binding upon Delfin.

As a rule, the issue of whether a mortgagee is in good faith cannot be entertained in a Rule 45 petition because the ascertainment of good faith or the lack thereof and the determination of negligence are factual issues which lie outside the scope of a petition for review on *certiorari*.<sup>[15]</sup> This Court is not a trier of facts and is not into re-examination and re-evaluation of testimonial and documentary evidence on record.<sup>[16]</sup> An exception, which the present case falls under, is when there is a misapprehension of facts or when the inference drawn from the facts is manifestly mistaken.<sup>[17]</sup>

We hold that Magtanggol is not a mortgagee in good faith.

The doctrine of mortgagee in good faith has been allowed in many instances but in situations dissimilar from the case at bench. *Cavite Development Bank v. Spouses Lim*<sup>[18]</sup> explained the doctrine in this wise:

There is, however, a situation where, despite the fact that the mortgagor is not the owner of the mortgaged property, his title being fraudulent, the mortgage contract and any foreclosure sale arising therefrom are given effect by reason of public policy. This is the doctrine of "the mortgagee in good faith" based on the rule that all persons dealing with the property covered by a Torrens Certificate of Title, as buyers or mortgagees, are not required to go beyond what appears on the face of the title. The public interest in upholding the indefeasibility of a certificate of title, as evidence of lawful ownership of the land or of any encumbrance thereon, protects a buyer or mortgagee who, in good faith, relied upon what appears on the face of the certificate of title.<sup>[19]</sup>

The doctrine of mortgagee in good faith presupposes that the mortgagor, who is not the rightful owner of the property, has already succeeded in obtaining a Torrens title over the property in his or her name and that, after obtaining the said title, he or she succeeds in mortgaging the property to another who relies on what appears on the said title.<sup>[20]</sup> In this case, Marissa is undoubtedly not the registered owner of the subject lot; and the certificate of title was in the name of her parents at the time of the mortgage transaction. She merely acted as the attorney-in-fact of Corazon and Delfin by virtue of the falsified SPA. The protection accorded by law to mortgagees in good faith cannot be extended to mortgagees of properties that are not yet registered with the RD or registered but not under the mortgagor's name.<sup>[21]</sup>

When the mortgagee does not directly deal with the registered owner of the real property, like an attorney-in-fact of the owner, it is incumbent upon the mortgagee to exercise greater care and a higher degree of prudence in dealing with such mortgagor.<sup>[22]</sup> As *Abad v. Sps. Guimba*<sup>[23]</sup> reminded:

x x x A person who deals with registered land through someone who is *not* the registered owner is expected to look behind the certificate of title and examine *all* factual circumstances, in order to determine if the mortgagor/vendee has the capacity to transfer any interest in the land. One has the duty to ascertain the identity of the person with whom one is dealing, as well as the latter's legal authority to convey.

The law "requires a higher degree of prudence from one who buys from a person who is not the registered owner, although the land object of the transaction is registered. While one who buys from the registered owner does not need to look behind the certificate of title, one who buys from one who is *not* the registered owner is expected to examine not only the certificate of title but *all* factual circumstances necessary for [one] to determine if there are any flaws in the title of the transferor, or in [the] capacity to transfer the land." Although the instant case does not involve a sale but only a mortgage, the same rule applies inasmuch as the law itself includes a mortgagee in the term "purchaser."<sup>[24]</sup>

Here, Magtanggol maintained that he did not bother to inquire from Corazon and Marissa the whereabouts of Delfin because, at the time the mortgage transaction was held, the SPA presented was well-prepared, duly signed, and notarized and that it was them who actually handed it together with their companions, Imelda Reyes and Roger Sumawang, and that Corazon did not tell him the whereabouts of her husband, who, unknown to him, was in the USA at the time.<sup>[25]</sup>

Under Section 23,<sup>[26]</sup> Rule 132 of the Rules, not all types of public documents are deemed *prima facie* evidence of the facts therein stated. Although classified as a public document,<sup>[27]</sup> a notarized document is merely evidence of the fact which gave rise to their execution and of the date of the latter.<sup>[28]</sup> When the notarization is defective, the public character of the document is stripped off and it is reduced to a mere private document that should be examined under the parameters of Section 20, Rule 132 of the Rules, providing that "[b]efore any private document offered as authentic is received in evidence, its due execution and authenticity must be proved either (a) [b]y anyone who saw the document executed or written, or (b) [b]y evidence of the genuineness of the signature or handwriting of the maker."<sup>[29]</sup>

We rule that the evidentiary weight conferred upon the subject SPA with respect to its due execution and the presumption of regularity in its favor was rebutted by clear and convincing evidence.<sup>[30]</sup> Both testimonial and documentary evidence presented by Delfin effectively overcame and negated the legal presumptions. In the witness stand, he categorically denied that he signed the SPA and that he executed such document before a notary public. His assertion was confirmed by the entries in his passport, which indicated that he left the Philippines on November 24, 1995 and returned only on November 13, 1999.<sup>[31]</sup> Moreover, Martina, a tenant on the subject property, testified that Delfin could not have given authority to Marissa because he was then residing in the USA and just went home in November 1999 when Corazon died.<sup>[32]</sup> Records do not show that the SPA was pre-signed by Delfin in the USA or that it was actually signed by him in the presence of the alleged witnesses and/or the notary public. It was not proven that he appeared personally before the notary public to acknowledge that the SPA was his own free and voluntary act and deed. Considering that the notarization of the SPA is irregular, no probative value can be given thereto.<sup>[33]</sup> The burden of evidence shifts upon the Spouses De Guzman to prove the genuineness of Delfin's signature and the due execution of the SPA.<sup>[34]</sup> They utterly failed. Only Magtanggol testified for the defense. He did not present Marissa, the witnesses to the execution of the SPA, the notary public, or even a handwriting expert in order to corroborate his self-serving representations.

*Bautista v. Silva*<sup>[35]</sup> is relevant to the present controversy, but not in the way the CA had applied it. In resolving the question of as to what extent an inquiry into a notarized SPA should go in order for one to qualify as a buyer for value in good faith, this Court opined in said case:

x x x [No] automatic correlation exists between the state of forgery of a document and the bad faith of the buyer who relies on it. A test has to be done whether the buyer had a choice between knowing the forgery and finding it out, or he had no such choice at all.

When the document under scrutiny is a special power of attorney that is