

FIRST DIVISION

[G.R. No. 222031, November 22, 2017]

**EMILIO CALMA, PETITIONER, VS. ATTY. JOSE M. LACHICA, JR. *,
RESPONDENT.**

DECISION

TIJAM, J.:

For Our resolution is a Petition for Review on *Certiorari*^[1] under Rule 45, assailing the Decision^[2] dated April 28, 2015 of the Court of Appeals (CA) in CA-G.R. CV No. 93329, which reversed and set aside the Decision^[3] dated January 20, 2009 of the Regional Trial Court (RTC) of Cabanatuan City, Branch 30 in Civil Case No. 4355.

Factual Antecedents

Respondent Atty. Jose M. Lachica, Jr. filed a complaint for Annulment of Void Deeds of Sale, Annulment of Titles, Reconveyance, and Damages originally against Ricardo Tolentino (Ricardo) and petitioner Emilio Calma, and later on, Pablo Tumale (Pablo) was impleaded as additional defendant in a Second Amended Complaint.^[4]

Subject of the said complaint was a 20,000-square meter parcel of land situated in Sumacabeste, Cabanatuan City covered by Transfer Certificate of Title (TCT) No. T-28380.^[5]

Respondent, in his complaint, alleged that he was the absolute owner and actual physical possessor of the subject property, having acquired the same sometime in 1974 for PhP15,000 through sale from Ceferino Tolentino (Ceferino) married to Victoria Calderon, who are Ricardo's parents. Consequently, the subject property's title was delivered to respondent also in 1974. Allegedly, he and his tenant/helper Oscar Justo (Oscar) has been in actual physical possession and cultivation of the said land continuously since its acquisition up to present.^[6]

Unfortunately, however, the 1974 Deed of Sale was allegedly lost. Hence, sometime in 1979, respondent and Ceferino agreed to execute another deed of sale. Spouses Tolentino allegedly took advantage of the situation and demanded an additional PhP15,000 from respondent to which the latter heeded. Thus, in the new Deed of Sale executed on April 29, 1979, the consideration for the sale of the subject property was increased to PhP30,000.^[7]

After the notarization of the 1979 Deed of Sale on April 29, 1986, respondent requested Spouses Tolentino to execute an Affidavit of Non-Tenancy and other documents required by the Department of Agrarian Reform for the transfer of the title in respondent's name. Again, taking advantage of the situation, Ceferino and his son Ricardo allegedly requested respondent to allow them to cultivate the 5,000-

square meter portion of the subject land. The father and son allegedly offered to process the transfer of the title to respondent's name to persuade the latter to grant their request. According to the respondent, because of the trust, confidence, love, and respect that his family had for Ceferino's family, he entrusted the notarized Deed of Sale, TCT No. T-28380, and the other documents on hand for the transfer of the title to his name and waited for the Tolentinos to make good on their promise.^[8]

In the meantime, respondent, through Oscar, allegedly continued to possess the entire subject property.^[9]

Respondent's employment in the government required him to travel to several distant places within the country.^[10] Hence, on May 25, 1981, before leaving Nueva Ecija again and being assigned to a far-away province, respondent caused the annotation of a Notice of Adverse Claim on TCT No. T-28380 to protect his claimed rights and interest in the subject property.^[11]

Due to respondent's employment and also because of an illness, he lost contact with the Tolentinos for a long period of time.^[12]

Sometime in March 2001, respondent returned to Cabanatuan City and learned that Ceferino had already passed away. Ricardo, on the other hand, was nowhere to be located despite efforts to do so.^[13] He also found Pablo to have been placed in possession of the 5,000-square meter portion of the subject property by the Tolentinos sometime in 1986.^[14]

Upon checking with the Office of the Register of Deeds as regards to the processing of his title over the subject property, he discovered that the same was transferred under the name of Ricardo, which had been later on transferred to the petitioner upon Ricardo's sale thereof to the latter. In fine, TCT No. T-28380 under Ceferino's name was cancelled and replaced by TCT No. T-68769 under Ricardo's name, which was then also cancelled and replaced by TCT No. T-96168 now under petitioner's name.^[15]

Respondent argued that the sale between Ceferino and Ricardo was null and void for being executed with fraud, deceit, breach of trust, and also for lack of lawful consideration. Respondent emphasized that not only was Ricardo in full knowledge of the sale of the subject property to him by Ceferino, but also his adverse claim was evidently annotated in the latter's title and carried over to Ricardo's title. Respondent also alleged that petitioner is an alien, a full-blooded Chinese citizen, hence, not qualified to own lands in the Philippines, and is likewise a buyer in bad faith.^[16]

Respondent, thus, prayed for the annulment of the Deed of Sale between Ceferino and Ricardo, as well as the Deed of Sale between Ricardo and petitioner. TCT No. T-68769 under Ricardo's name and TCT No. T-96168 under petitioner's name were likewise sought to be annulled. Respondent further prayed for the ejectment of Pablo from the 5,000-square meter portion of the subject property and the reconveyance of the entire property to him. Exemplary damages, actual damages, litigation expenses and attorney's fees were also prayed for.^[17]

To prove his case, respondent presented his testimony, the testimonies of Oscar Justo and Herminiano Tinio, Sr., and documentary evidence comprising of TCT No. T-28380 with the annotation of his Notice of Adverse Claim dated May 25, 1981, the April 29, 1979 Deed of Sale, TCTT-68769 with the annotation of the same Notice of Adverse Claim and an entry regarding the cancellation thereof albeit the validity of such cancellation was challenged by the respondent, TCT No. T-96168 dated December 22, 1998, March 6, 1989 Deed of Absolute Sale, which he alleged to be certified copies thereof, and the alleged original copy of the certificate to file action. [18]

For their part, defendants before the trial court averred in their Amended Answer^[19] that petitioner is a buyer in good faith and for value, having acquired the subject property on July 10, 1998 through sale from Ricardo. They argued, among others, that petitioner, despite merely relying on the correctness of Ricardo's TCT, is duly protected by the law. It was stated in Ricardo's title that respondent's adverse claim had already been cancelled more than four years before the sale or on April 26, 1994. Thus, defendants argued that petitioner had no notice of any defect in Ricardo's title before purchase of the subject property.^[20]

Petitioner presented the July 10, 1998 Deed of Absolute Sale, TCT No. T-68769 with the annotation of the cancellation of respondent's adverse claim, TCT No. T-96168, to prove good faith in the acquisition of the subject property, and a copy of his passport, Marriage Certificate, and Certificate of Live Birth to prove his Filipino citizenship, contrary to respondent's allegation.^[21]

The RTC Ruling

The RTC ruled that petitioner is an innocent purchaser for value and that he had already acquired his indefeasible rights over the title. According to the trial court, while it may be true that respondent's adverse claim was annotated in Ricardo's title, the same title also shows that such adverse claim had already been cancelled more than four years before he bought the property. Moreover, the RTC ruled that respondent's cause of action had already prescribed.^[22] The trial court also noted that respondent failed to present any evidence on the alleged fraud in the transfer of the title of subject property to petitioner.^[23]

Ricardo was, however, held liable for the value of the property, damages, and attorney's fees in favor of respondent as, according to the RTC, Ricardo cannot claim good faith because of the existence of the adverse claim.^[24]

Lastly, the RTC ruled that respondent has no recourse against Pablo, who is liable to petitioner as the lawful owner.

The RTC disposed, thus:

WHEREFORE premises considered, judgment is hereby rendered:

1. In favor of [respondent] and against Defendant Ricardo Tolentino.

The latter is hereby ordered to pay:

- a) Forty Thousand Pesos (P40,000.00), the estimated assessed value of the property formerly covered by TCT No. NT-68769 [sic], as actual damages;
- b) One Hundred Thousand Pesos (P100,000.00) as moral damages;
- c) Fifty Thousand Pesos (P50,000.00) as exemplary damages;
- d) Eighty Thousand Pesos (P80,000.00) as attorney's fees and litigation expenses; and

2. Against [respondent] and in favor of the [petitioner] Emilio Calma and Pablo Tumale dismissing this complaint against them.

No evidence having been offered by Defendant's [sic] to prove their Counterclaim, the same is, as it is, **DISMISSED**.

SO ORDERED.^[25]

Respondent moved for the reconsideration of the said Decision, but the RTC denied the motion on March 24, 2009.^[26]

Thus, respondent appealed before the CA.

The CA Ruling

In its assailed Decision, the CA reversed the RTC's ruling, finding that both Ricardo and petitioner were in bad faith in their respective acquisitions of the subject property. Hence, both their titles should be annulled. While upholding the RTC's finding that the registration of title in Ricardo's name was null and void as he had prior knowledge of the sale between his father and respondent, the CA added that because of such bad faith, Ricardo's title must be annulled. Consequently, as Ricardo had no valid title to the subject property, he had nothing to convey to petitioner.^[27]

The CA then proceeded to discuss its finding of bad faith against petitioner. The appellate court concluded that the investigation conducted by petitioner on the title of the subject property before purchase was not sufficient to consider him to be a buyer in good faith. The CA noted petitioner's knowledge of the annotation of an adverse claim on Ricardo's title and that his act of asking assurance from Ricardo, the Register of Deeds, and the bank where the subject property was mortgaged prior to the sale to petitioner cannot be considered as diligent efforts to protect his rights as a buyer.^[28]

The CA explained that petitioner should not have just relied on the face of the title as the notice of adverse claim annotated on Ceferino's title carried over to Ricardo's title for a total of 13 years before its cancellation should have alerted him to conduct an actual inspection of the title.^[29] If only petitioner had conducted an actual inspection of the property, the CA opined, petitioner would have readily found that Oscar, respondent's alleged tenant, had been occupying and tilling the land.^[30] Thus, despite the fact that petitioner registered his acquisition of the subject property, since he was considered to be in bad faith, such registration did not confer any right upon him.^[31] Applying the rule on double sale under Article 1544^[32] of the Civil Code, as his registration is deemed to be no registration at all because of his bad faith, the buyer who took prior possession of the property in good faith shall

be preferred.^[33]

The CA then disposed of the appeal as follows:

WHEREFORE, the appeal is hereby GRANTED. The appealed Decision dated January 20, 2009 of the Regional Trial Court of Cabanatuan City, Branch 30, in Civil Case No. 4355 for Annulment of Void Deeds of Sale, Cancellation of Titles, Reconveyance, and Damages is hereby REVERSED and SET ASIDE, and a NEW DECISION is hereby entered to read, thus:

"WHEREFORE, judgment is hereby rendered in favor of [respondent] Atty. Jose M. Lachica, Jr. and against x x x Ricardo Tolentino and [petitioner] Emilio Calma, declaring [respondent] as the rightful owner of the subject land covered under Transfer Certificate of Title No. T-96168 of the Registry of Deeds of Cabanatuan City, and ordering:

1) the annulment of the Deed of Sale between Ricardo Tolentino and Ceferino Tolentino;

2) the annulment of the Deed of Absolute Sale between Ricardo Tolentino and Emilio Calma dated July 10, 1998;

3) the Register of Deeds of Cabanatuan City to cancel Transfer Certificate of Title No. T-96168 and to issue a new one in the name of Jose M. Lachica, Jr. married to Warlita Ordonio;

4) x x x Ricardo Tolentino to pay [respondent] Atty. Jose M. Lachica, Jr. the amounts of One Hundred Thousand Pesos (P100,000.00) as moral damages and Fifty Thousand Pesos (P50,000.00) as exemplary damages, the monetary awards to earn interest at six percent (6%) per annum from finality of this Decision until fully paid; and

5) costs against x x x Ricardo Tolentino and Emilio Calma."

SO ORDERED.^[34]

Hence, this petition.

The Issue

The resolution of the instant controversy boils down to who between the petitioner and the respondent has better right over the subject property.

The Ruling of the Court

We rule for the petitioner.

Both the petitioner and the respondent claim ownership over the subject property by virtue of acquisition through sale. To resolve the present controversy, thus, it is necessary to look into the basis of each party's claimed rights.

Sale from Ceferino to respondent