

## SECOND DIVISION

[ G.R. No. 171804, August 05, 2015 ]

**THE REGISTER OF DEEDS OF NEGROS OCCIDENTAL AND THE  
NATIONAL TREASURER OF THE REPUBLIC OF THE PHILIPPINES,  
PETITIONERS, VS. OSCAR ANGLO, SR., AND ANGLO  
AGRICULTURAL CORPORATION, REPRESENTED BY OSCAR  
ANGLO, JR., RESPONDENTS.**

### DECISION

**LEONEN, J.:**

The Assurance Fund is part of our property registration system covered by Presidential Decree No. 1529.<sup>[1]</sup> Its purpose is to protect individuals who rely on a property's certificate of title as evidence of ownership. A claim from the fund must meet the strict requirements of Presidential Decree No. 1529:

**SEC. 95.** *Action for compensation from funds.* — A person who, without negligence on his part, sustains loss or damage, or is deprived of land or any estate or interest therein in consequence of the bringing of the land under the operation of the Torrens system of arising after original registration of land, through fraud or in consequence of any error, omission, mistake or misdescription in any certificate of title or in any entry or memorandum in the registration book, and who by the provisions of this Decree is barred or otherwise precluded under the provision of any law from bringing an action for the recovery of such land or the estate or interest therein, may bring an action in any court of competent jurisdiction for the recovery of damages to be paid out of the Assurance Fund.

Claims will not be allowed when the claimant is negligent.

On June 29, 1960, Alfredo V. de Ocampo (de Ocampo) filed an application before the Court of First Instance of Negros Occidental<sup>[2]</sup> to register two parcels of prime sugar land,<sup>[3]</sup> Lot No. 2509<sup>[4]</sup> of the cadastral survey of Escalante and Lot No. 817<sup>[5]</sup> of the cadastral survey of Sagay. The registration was contested by the Republic of the Philippines Bureau of Education (the Republic).<sup>[6]</sup> According to the Republic, the lots de Ocampo sought to register were bequeathed to the Bureau of Education by the late Esteban Jalandoni on September 21, 1926.<sup>[7]</sup> Due to the donation, the Bureau of Education owned the lots as evidenced by Transfer Certificate of Title (TCT) No. 6014.<sup>[8]</sup>

While registration proceedings were pending, de Ocampo entered into an agreement with Oscar Anglo, Sr. (Anglo, Sr.) on June 15, 1962. Their agreement, denominated as a Deed of Conditional Sale, included an undertaking that de Ocampo would cede, transfer, and convey Lot No. 2509 and part of Lot No. 817 under certain conditions.

[9]

In the Decision dated August 3, 1965, Branch IV of the Court of First Instance of Negros Occidental ordered the registration of Lot No. 2509 and Lot No. 817 in favor of de Ocampo.<sup>[10]</sup> On October 1, 1965, Original Certificate of Title (OCT) No. 576-N<sup>[11]</sup> covering both lots was issued in the name of de Ocampo.<sup>[12]</sup>

On December 28, 1965, the Republic filed a Petition for Relief from Judgment with Preliminary Injunction Pending Proceeding before the Court of First Instance in San Carlos City<sup>[13]</sup> assailing the Decision dated August 3, 1965.<sup>[14]</sup>

On January 6, 1966, de Ocampo sold Lot No. 2509 and a portion of Lot No. 817, Lot No. 817-D,<sup>[15]</sup> to Anglo, Sr.<sup>[16]</sup> The Deed of Absolute Sale was registered and annotated at the back of OCT No. 576-N.<sup>[17]</sup> The Register of Deeds cancelled OCT No. 576-N and subsequently issued TCT No. T-42217, covering Lot No. 2509 and Lot No. 817-D, in favor of Anglo, Sr.<sup>[18]</sup>

On March 3, 1966 and August 24, 1966, the Republic caused the annotations of notices of lis pendens in Anglo, Sr.'s transfer certificate of title.<sup>[19]</sup>

On August 20, 1967, the Court of First Instance in San Carlos City dismissed the Republic's Petition for Relief from Judgment.<sup>[20]</sup>

The Republic's appeal before the Court of Appeals was likewise dismissed in the Resolution dated August 21, 1969.<sup>[21]</sup> The Republic filed an appeal by certiorari to this court.<sup>[22]</sup> The case was entitled *Republic of the Philippines v. Court of Appeals*.<sup>[23]</sup>

Despite the notices of lis pendens, on May 17, 1976, Anglo, Sr. conveyed the lots covered by TCT No. T-42217 to Anglo Agricultural Corporation in exchange for shares of stock.<sup>[24]</sup> In the Deed of Conveyance, Anglo Agricultural Corporation, as transferee, assumed the risk of an adverse decision relating to the lots as stated in the notices of lis pendens:

5. That whatever adverse decision that might finally be rendered regarding the case involving the above described properties which are the subject matter of the notices of lis pendens mentioned in the second WHEREAS clause above, shall be at the risk of the TRANSFEREE and TRANSFEREE hereby agrees to free, release, acquit, and forever discharge [Anglo, Sr.] his heirs, successors and assigns from any liability, claims, demands, suits, actions, causes of action and damages whatsoever, at law or in equity of any matter, or thing, done or omitted, or suffered to be done by [Anglo, Sr.] prior to or and including the date hereof, and more specifically with regards to the parcels of land herein conveyed[.]<sup>[25]</sup>

On May 19, 1976, TCT No. T-42217 was cancelled, and a new certificate of title, TCT No. T-88727, was issued in favor of Anglo Agricultural Corporation.<sup>[26]</sup>

However, on June 7, 1976, Anglo Agricultural Corporation and Anglo, Sr. amended

the agreement such that Anglo, Sr. assumed all risks in case of an adverse decision:  
[27]

WHEREAS, it was brought that [Paragraph 5 of the Deed of Conveyance dated May 17, 1976] is clearly damaging and prejudicial to the interest of the ANGLO AGRICULTURAL CORPORATION, and therefore requires to be corrected and remedied;

WHEREAS, MR. OSCAR ANGLO, Sr. the Transferor of the subject parcels of land, has agreed to the deletion of Paragraph 5 stated in the aforementioned Deed of Conveyance and to solely assume whatever liabilities that may arise from the adverse decision finally rendered over the property conveyed[.][28]

In the Decision dated May 31, 1978, this court remanded the Republic's case back to the Court of Appeals to be decided on its merits.[29]

The case was reinstated on July 29, 1983.[30] The Court of Appeals promulgated a Decision against de Ocampo and his successors-in-interest. The dispositive portion of the Decision states:

WHEREFORE, finding this appeal meritorious, the decision of the lower court in Civil Case No. 264(6164) [sic] dated August 20, 1967 and the decision in Land Registration Case N-4 dated August 3, 1965 are hereby REVERSED in toto and new judgment is hereby rendered:

- 1.) granting the petition for review in Civil Case No. 264(6154);
- 2.) denying the application for registration of lots 817 and 2509 of the Sagay and Escalante Cadastre in the name of respondent-applicant Alfredo V. de Ocampo;
- 3.) *declaring OCT No. 576 in favor of Alfredo V. de Ocampo & TCT No. 44127 in the name of intervenor-appellee Oscar Anglo null and void and ordering their cancellation;*
- 4.) declaring lots 817 and 2509 of Sagay & Escalante Cadastre the property of the Bureau of Education and confirming its title TCT No. 6014 over said property;
- 5.) remanding the case to the lower court for determination of the amount of income which would have been derived by the Bureau of Education from the above-mentioned lots from 1958 until possession is transferred to the Bureau;
- 6.) ordering Alfredo V. de Ocampo to pay the Bureau of Education, the amount of income as determined by the lower court under paragraph 5 with the interest thereon at the legal rate from the filing of the complaint until fully paid.

With costs against respondent-applicant, Alfredo de Ocampo. SO ORDERED.[31] (Emphasis supplied)

The Court of Appeals remanded the case to the court of origin, the Regional Trial Court of San Carlos City, Negros Occidental,<sup>[32]</sup> for execution.<sup>[33]</sup>

Pursuant to the Order<sup>[34]</sup> dated August 20, 1984 of the Regional Trial Court, the Register of Deeds of Negros Occidental wrote a letter<sup>[35]</sup> to Oscar Anglo<sup>[36]</sup> requiring him to surrender TCT No. T-88727. In compliance, Oscar Anglo of Anglo Agricultural Corporation surrendered the title.<sup>[37]</sup>

On April 5, 1988, Anglo, Sr. and Anglo Agricultural Corporation filed a Complaint for Recovery of Damages from the Assurance Fund against the Register of Deeds of Negros Occidental and the National Treasurer of the Republic of the Philippines before the Regional Trial Court of Bacolod City, Negros Occidental.<sup>[38]</sup> According to their Complaint,<sup>[39]</sup> Anglo, Sr. acquired the lots in good faith and for value without any negligence on his part.<sup>[40]</sup> Considering that de Ocampo passed away and left no property to his heirs before the finality of the Court of Appeals' Decision, the only available remedy for Anglo, Sr. and Anglo Agricultural Corporation was to recover the value of the lots from the Assurance Fund as provided for under Act No. 496 and Presidential Decree No. 1529.<sup>[41]</sup>

During trial, only Anglo, Sr. and Anglo Agricultural Corporation presented witnesses. Atty. David Lozada, then the Registrar of Deeds of Negros Occidental, Anglo, Sr., and Oscar Anglo, Jr. took the witness stand.<sup>[42]</sup> Atty. David Lozada confirmed that at the time of the sale between de Ocampo and Anglo, Sr., there were no annotations of notices of lis pendens in de Ocampo's original certificate of title.<sup>[43]</sup> In Anglo, Sr.'s testimony, he stated that it was de Ocampo who was in possession of the lots prior to the sale between them.<sup>[44]</sup>

The Register of Deeds and the National Treasurer did not file an Opposition or Comment on the Formal Offer of Exhibits by Anglo, Sr. and Anglo Agricultural Corporation. They also did not present evidence during trial and, instead, submitted a Memorandum.<sup>[45]</sup>

In the Decision<sup>[46]</sup> dated November 29, 1995, the Regional Trial Court, Branch 51, of Bacolod City, Negros Occidental, awarded damages in favor of Anglo, Sr. and Anglo Agricultural Corporation.<sup>[47]</sup> The Regional Trial Court computed the fair market value at the time Anglo Agricultural Corporation suffered the loss, in keeping with Section 97 of Presidential Decree No. 1529.<sup>[48]</sup> The properties involved had a total area of 189.2462 hectares.<sup>[49]</sup> At the time of the loss, the properties were worth P35,000.00 per hectare; hence, the Regional Trial Court awarded P6,623,617.00 as damages payable under the Assurance Fund. The Regional Trial Court also awarded P20,000.00 in attorney's fees in favor of Anglo, Sr. and Anglo Agricultural Corporation.<sup>[50]</sup>

The Register of Deeds and the National Treasurer elevated the case to the Court of Appeals, questioning the propriety of the award of damages and attorney's fees.<sup>[51]</sup> In the Decision<sup>[52]</sup> dated September 7, 2005, the Court of Appeals affirmed the award of damages because it found that the situation of Anglo, Sr. and Anglo Agricultural Corporation fell within the requisites of Section 95 of Presidential Decree

No. 1529.<sup>[53]</sup> However, the Court of Appeals deleted the award of attorney's fees.  
<sup>[54]</sup> The dispositive portion of the Decision stated:

**WHEREFORE**, premises considered, the challenged Decision is AFFIRMED with MODIFICATION by DELETING the award of attorney's fees.

**SO ORDERED.**<sup>[55]</sup> (Emphasis in the original)

In the Resolution<sup>[56]</sup> dated March 3, 2006, the Court of Appeals denied the Register of Deeds and the National Treasurer's Motion for Reconsideration for lack of merit.

Hence, the Register of Deeds and the National Treasurer filed this Petition for Review on Certiorari.<sup>[57]</sup> On July 9, 2007, this court decided to give due course to the Petition and required both parties to submit their respective Memoranda.<sup>[58]</sup>

The Register of Deeds and the National Treasurer argue that Anglo, Sr. is not entitled to recovery from the Assurance Fund because he is a purchaser in bad faith.  
<sup>[59]</sup> Anglo, Sr. was negligent because "[h]e did not ascertain the legal condition of the title [of] the [properties] he was buying."<sup>[60]</sup> The Register of Deeds and the National Treasurer claim that at the time Anglo, Sr. purchased the properties from de Ocampo, OCT No. 576-N had entries in its Memorandum of Incumbrances.<sup>[61]</sup>

The Register of Deeds and the National Treasurer also note that Anglo, Sr. and Anglo Agricultural Corporation's loss was caused by the fraud committed by their predecessor-in-interest in registering and obtaining OCT No. 576-N.<sup>[62]</sup> A claim from Section 95 of Presidential Decree No. 1529 is precluded because Anglo, Sr. and Anglo Agricultural Corporation were not able to show that they were deprived of their lots as a consequence of bringing the lots or interest under the provisions of Presidential Decree No. 1529,<sup>[63]</sup> or because the registration was made by "mistake, omission, or misdescription in any certificate or owner's duplicate."<sup>[64]</sup>

Finally, the Register of Deeds and the National Treasurer argue that Anglo, Sr. and Anglo Agricultural Corporation are not entitled to a claim from the Assurance Fund because there were no lots or interest that they have been deprived of. Their predecessor-in-interest was not the real owner of the lots; hence, no title or interest could have been validly conveyed to Anglo, Sr. and Anglo Agricultural Corporation.  
<sup>[65]</sup>

On the other hand, Anglo, Sr. and Anglo Agricultural Corporation argue that they qualify for a claim from the Assurance Fund under Section 95 of Presidential Decree No. 1529.<sup>[66]</sup> Anglo, Sr. purchased the lots in good faith and for value; hence, a legitimate transfer certificate of title was issued under his name.<sup>[67]</sup> No negligence could be attributed to Anglo, Sr. because he relied on an original certificate of title, and the state guarantees the correctness of the certificate.<sup>[68]</sup> The loss or damage Anglo, Sr. and Anglo Agricultural Corporation sustained "was not occasioned by a breach of trust."<sup>[69]</sup> It was caused by the "fraud or ... wrongful acts committed by the original owner ... in registering and obtaining the original Certificatre [sic] of Title[.]"<sup>[70]</sup>