

THIRD DIVISION

[G.R. No. 205271, September 02, 2015]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. BELLE CORPORATION, RESPONDENT.

D E C I S I O N

PERALTA, J.:

This petition for review on *certiorari* under Rule 45 of the 1997 Rules of Civil Procedure (*Rules*) seeks to reverse the November 23, 2011 Decision^[1] and January 17, 2013 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 84075, which annulled and set aside the April 12, 2004 Decision^[3] of the Regional Trial Court (RTC), Branch 18, Tagaytay City, Cavite, in Civil Case No. TG-1672.

Respondent Belle Corporation (*respondent*) is a publicly-listed company primarily engaged in the development and operation of several leisure and recreational projects in Tagaytay City, Cavite, such as the Tagaytay Highlands. On November 20, 1996, it filed a Complaint, docketed as Civil Case No. TG-1672, for quieting of title and damages with prayer for temporary restraining order and/or preliminary mandatory injunction against Florosa A. Bautista (*Bautista*) and the Register of Deeds of Tagaytay City.^[4] Allegedly, respondent is the registered owner in possession of four (4) parcels of land known as Lots 1 to 4 of the consolidation and subdivision plan Pcs-04-010666 containing an aggregate area of 317,918 square meters, located at Barangay Sungay, Tagaytay City, under Transfer Certificate of Title (TCT) Nos. P-1863 to P-1866. On October 31, 1996, it received a demand letter^[5] from Bautista's counsel which ordered the immediate stoppage of its occupation and use of a substantial portion of the land that she purportedly owns. She claimed that respondent had illegally constructed a road on said property without her prior notice or permission. Before a response could be sent, Bautista caused the posting of a signboard on the entrance access road to Tagaytay Highlands International Golf Club and the Country Club of Tagaytay Highlands, notifying the public as follows:

Please be informed that based on a geodetic re-survey a substantial portion of this entrance road leading to Tagaytay Highlands was found to be inside the perimeter of a private property covered by TCT No. P-671.

Effective November 1, 1996, the registered owner of TCT No. P-671 will enforce her rights and entry and/or exit to her property without her prior consent and approval will be strictly prohibited.^[6]

A copy of TCT No. P-671 showed that it emanated from Original Certificate of Title (OCT) No. OP-283 which, in turn, appears to have been issued pursuant to Free

Patent No. (IV-4) 12573 on January 20, 1977 and registered on February 4, 1977.

[7] Respondent thus sought to cancel the free patent for being null and void, constituting a cloud on its own title.

To support its cause, respondent averred that its title over a portion of the subject lot was originally registered as early as March 30, 1959 in the name of Tagaytay Development Company and Patricia S. Montemayor under OCT No. 0-216, pursuant to Decree No. N-70245 issued on November 12, 1958 in Land Registration Case No. 426 (LRC Record No. 52607). [8] By reason of Montemayor's death, OCT No. 0-216 was cancelled by TCT No. T-2770, which was registered on September 21, 1960 in favor of Tagaytay Development Company and the heirs of Montemayor. [9] The land covered by TCT No. T-2770 was thereafter partitioned and subdivided into five lots, two of which, Lot Nos. 1-C and 2-B of the subdivision plan (LRC) Psd-9174, were assigned to Tagaytay Development Company in whose name TCT T-2773 was registered on September 27, 1960. [10] Then, on July 12, 1991, TCT No. T-24616 cancelled and replaced TCT T-2773 in the name of Tagaytay Highlands Corporation. [11] From 1989 to 1991, respondent began purchasing lands adjoining the property for its various development projects in the area. To gain access to these properties, it constructed an eight-meter wide road, the entrance to which passes through a portion of the property. On November 29, 1993, Tagaytay Highlands Corporation and respondent merged, with the latter as the surviving corporation. [12] In July 1995, Lot Nos. 1-C and 2-B covered by TCT No. T-24616 were consolidated with Lots 1 and 2 (Psu- 109694) covered by TCT No. P-578. [13] After, the consolidated parcels of land were subdivided into five lots under consolidation and subdivision plan Pcs-04-010666. In view of this, TCT Nos. T-24616 and P-578 were cancelled and replaced by TCT Nos. P-1863 to P-1867, which were registered on December 12, 1995. [14]

On May 5, 1997, Bautista filed an Answer with Compulsory Counterclaims and Opposition to the Prayer for Issuance of Preliminary Mandatory Injunction. [15] She countered that respondent should be bound and strictly comply with the verification survey of the Department of Environment and Natural Resources (DENR) Regional Office No. IV, which was conducted pursuant to the parties' Joint Request for Verification Survey dated January 20, 1997. [16] The survey concluded that, if the dates of original registration are to be considered as frame of reference, it is respondent's title which actually overlapped with Bautista's property. [17] Specifically, Lot 1 of Pcs-04-010666 under TCT No. P-1863 extended beyond Lot 4123-B of Psd-04-051856 under TCT No. P-671. Likewise, Bautista claimed that as shown on the face of TCT No. P-1863 said title originated not from OCT No. 0-216 but from OCT No. OP-287 pursuant to a Free Patent issued in the name of Paz M. Del Rosario, which was granted by the President of the Philippines on January 27, 1977 and registered on February 14, 1977.

Trial on the merits ensued. During the presentation of evidence by the defense, respondent was informed that Bautista is no longer the owner of the property covered by TCT No. P-671 as it was already foreclosed by petitioner Land Bank of the Philippines; that TCT No. P-3663 was issued in the bank's name; and, that the notice of *lis pendens* annotated in TCT No. P-671 was not carried over to the new title.

On June 21, 2001, respondent filed a Motion for Leave to File Amended Petition^[18] impleading petitioner as indispensable party. Allegedly, on August 19, 1994, Bautista mortgaged to petitioner the land covered by TCT No. P-671 in order to secure a loan amounting to 10,000,000.00. Bautista defaulted in her obligation resulting in the foreclosure of the property on October. 15, 1997, with respect to which respondent was not aware or notified. Upon Bautista's failure to redeem the property and petitioner's consolidation of ownership, TCT No. P-671 was cancelled and TCT No. P-3663 was registered on June 9, 1999.

The trial court granted respondent's motion.^[19] Upon receiving the summons, petitioner filed an Answer (With Special and Affirmative Defenses, Compulsory Counterclaim, Cross Claim and Opposition to Injunction).^[20] Later, an Amended Answer was filed to include a Third Party Complaint against Liezel's Garments, Inc., represented by its President and General Manager Dolores Bautista.^[21]

Claiming that it is an innocent mortgagee for value, petitioner asserted that it observed due diligence and prudence expected of it as a banking institution. It pointed out that prior to the approval of the loan application, its representative verified the status of the collateral covered by TCT No. P-671, which revealed that the subject property was registered in the name of Bautista and that the same is free and clear of any lien or encumbrance. Also, upon ocular inspection, no adverse ownership or interest was found. Therefore, in the absence of anything to excite or arouse suspicion, petitioner is legally justified to rely on the mortgagor and what appears on the face of her certificate of title.

By way of Crossclaim, petitioner alleged that when Bautista sought to mortgage the subject property, its representatives were made to believe that no other person/s has/have an interest thereon and that she has a clean and valid title thereto; and that without such representation, petitioner would not have allowed or consented to the mortgage. Thus, in the event that the trial court holds that respondent has a sufficient cause of action, Bautista should be directed to pay the sum of P16,327,991.40 representing unpaid principal, interests, penalties, other charges, and any and all damages which may be suffered as a consequence.

Lastly, to support its Third Party Complaint, petitioner contended that Liezel 's Garments, Inc. should be made to pay its outstanding obligation of 16,327,991.40, pursuant to the Omnibus Credit Line Agreement dated August 16, 1994 and August 30, 1995,^[22] both of which were secured by a real estate mortgage^[23] involving the disputed property. As evidence of the availments/releases made, it allegedly executed in favor of petitioner promissory notes amounting to P7,672,091.11 and P3,000,000.00 on June 30, 1995 and September 30, 1995, respectively.^[24]

In response, Liezel 's Garments, Inc. filed an Answer (To the Third Party Complaint)^[25] It stressed that the subject property is free from all forms of liens and encumbrances when the mortgage contract was executed with petitioner, since Bautista was then its absolute and lawful owner with a clean and valid title. It reiterated petitioner's position that there is nothing from Bautista's title which could arouse suspicion and, by reason thereof, the bank has no obligation to look beyond what appears on the face of the certificate of title.

After trial, the RTC ruled against respondent. The dispositive portion of the April 12, 2004 Decision ordered:

WHEREFORE, premises considered[,] the TCT No. P-1863 issued to petitioner Belle Corporation is hereby declared **VOID**, in so far as the 7,693 square meters that overlapped the property owned by private respondent Florosa A. Bautista, covered with TCT No. T-671. Therefore, the Register of Deeds of Tagaytay City is ordered to **CANCEL** the said TCT No. P-1863 issued to Belle Corporation and to issue another one to petitioner deleting that overlapping portions of 7,693 square meter described in the technical descriptions submitted to that effect which is already a part and parcel of that land covered by Florosa A. Bautista under TCT No. T-671.

No cost.

SO ORDERED.^[26]

The trial court relied on the testimony of Engr. Robert C. Pangyarihan, who, in conducting the DENR verification survey, based his findings on what appeared to be the dates of registration of the mother titles of the contending parties. It held that the land belonging to respondent, which is covered by TCT No. P-1863 and originally registered on February 14, 1977, overlapped the land belonging to Bautista, which is covered by TCT No. T-671 and originally registered on February 4, 1977. And since the title of Bautista was issued earlier than that of respondent, the 7,693 sq. m. overlapping portion was already private property and ceased to be part of the public domain.

Upon appeal by respondent, the RTC Decision was annulled and set aside. The *fallo* of the CA Decision dated November 23, 2011 stated:

WHEREFORE, premises considered, the instant Appeal is **GRANTED**. The assailed Decision of the court *a quo* is hereby **ANNULLED AND SET ASIDE** and a new one entered declaring

1. petitioner-appellant Belle Corporation as the legitimate owner of the disputed property; and
2. void Ab Initio Transfer Certificate of Title No. P-671 issued to respondent-appellee Bautista and the derivative Transfer Certificate of Title No. P-3663 issued to respondent-appellee Land Bank of the Philippines.

Furthermore, this Court is ordering -

1. the Register of Deeds of Tagaytay City to cancel the respective Certificates of Title of respondent-appellee Florosa A. Bautista and respondent-appellee Land Bank of the Philippines;

2. the Register of Deeds of Tagaytay City to correct the entries contained in the Transfer Certificate of Title No. P-1863 of petitioner-appellant Belle Corporation pertinent to this case;
3. respondent-appellee Florosa A. Bautista and Third Party Defendant Liezel's Garments, Inc. to jointly pay respondent appellee Land Bank of the Philippines the amount of Sixteen Million Three Hundred Twenty Seven Thousand Nine Hundred Ninety-One Pesos and 40/100 (P16,327,991.40), the amount for which the disputed property was sold to respondent appellee Land Bank of the Philippines at the public auction[;] [and)
4. Respondents-appellees Florosa A. Bautista and Land Bank to jointly and severally pay petitioner-appellant Belle Corporation the amount of One Hundred Thousand Pesos (P100,000.00) by way of attorney's fees.

All other claims are denied for lack of merit.

SO ORDERED.^[27]

Based on the testimonies of Reynaldo Dy-Reyes, who is from the Register of Deeds of Tagaytay City, and Engr. Pangyarihan, the CA opined that respondent was able to prove by sufficient evidence that its mother title is OCT No. 0-216 and not OCT No. OP-287, as erroneously written in TCT Nos. P-1863 to P-1867. Notably, the lot covered by OCT No. OP-287 and its derivative title, TCT No. P-578, which is the purported immediate source of TCT No. P-1863, only contains an area of 92,539 sq. m. compared with the 313,951 sq. m. area covered by TCT No. P-1863. It was further pointed out that, contrary to the stubborn insistence of Bautista, there is no proof showing that respondent expressly waived its right to contest the result of the verification survey conducted by the DENR regional office. For the appellate court, the parties only wanted to establish the fact of encroachment when they commissioned Engr. Pangyarihan to conduct the survey, and that if they intended to be bound by his declaration, they would have made an express agreement to that effect.

The CA did not find merit in the contention that petitioner is a mortgagee in good faith. It noted that not once did the bank claim that it investigated the status of the subject property despite the fact that the same forms part of the ingress and egress of the well-known Tagaytay Highlands since 1990 or several years before it accepted the property as collateral from Bautista. Since its negligence was the primary, immediate and overriding reason, petitioner must bear the loss of the disputed property. Nonetheless, this is without prejudice to the recovery of P16,327,991.40 from Bautista and Liezel's Garments, Inc., who both did not refute the said amount.

Finally, while denying respondent's prayer for actual and moral damages, the CA granted its claim for attorney's fees "*given that this case has already dragged on for years and [respondent] has obviously spent a considerable amount of money to protect its interest in this case.*"

On January 17, 2013, the CA resolved to deny petitioner's motion for