

SECOND DIVISION

[G.R. No. 196577, February 25, 2013]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. BARBARA SAMPAGA POBLETE, RESPONDENT.

D E C I S I O N

CARPIO, J.:

The Case

This Petition for Review on Certiorari^[1] seeks to reverse the Court of Appeals' Decision^[2] dated 28 September 2010 and its Resolution^[3] dated 19 April 2011 in CA-G.R. CV No. 91666. The Court of Appeals (CA) affirmed *in toto* the Decision^[4] of the Regional Trial Court (RTC) of San Jose, Occidental Mindoro, Branch 46, in Civil Case No. R-1331.

The Facts

The facts, as culled from the records, are as follows:

Petitioner Land Bank of the Philippines (Land Bank) is a banking institution organized and existing under Philippine laws. Respondent Barbara Sampaga Poblete (Poblete) is the registered owner of a parcel of land, known as Lot No. 29, with an area of 455 square meters, located in Buenavista, Sablayan, Occidental Mindoro, under Original Certificate of Title (OCT) No. P-12026. In October 1997, Poblete obtained a P300,000.00 loan from Kabalikat ng Pamayanan ng Nagnanais Tumulong at Yumaman Multi-Purpose Cooperative (Kapantay). Poblete mortgaged Lot No. 29 to Kapantay to guarantee payment of the loan. Kapantay, in turn, used OCT No. P-12026 as collateral under its Loan Account No. 97-CC-013 with Land Bank-Sablayan Branch.

In November 1998, Poblete decided to sell Lot No. 29 to pay her loan. She instructed her son-in-law Domingo Balen (Balen) to look for a buyer. Balen referred Angelito Joseph Maniego (Maniego) to Poblete. According to Poblete, Maniego agreed to buy Lot No. 29 for P900,000.00, but Maniego suggested that a deed of absolute sale for P300,000.00 be executed instead to reduce the taxes. Thus, Poblete executed the Deed of Absolute Sale dated 9 November 1998 (Deed dated 9 November 1998) with P300,000.00 as consideration.^[5] In the Deed dated 9 November 1998, Poblete described herself as a "widow." Poblete, then, asked Balen to deliver the Deed dated 9 November 1998 to Maniego and to receive the payment in her behalf. Balen testified that he delivered the Deed dated 9 November 1998 to Maniego. However, Balen stated that he did not receive from Maniego the agreed purchase price. Maniego told Balen that he would pay the amount upon his return from the United States. In an Affidavit dated 19 November 1998, Poblete stated that

she agreed to have the payment deposited in her Land Bank Savings Account.^[6]

Based on a Certification issued by Land Bank-Sablayan Branch Department Manager Marcelino Pulayan on 20 August 1999,^[7] Maniego paid Kapantay's Loan Account No. 97-CC-013 for P448,202.08. On 8 June 2000, Maniego applied for a loan of P1,000,000.00 with Land Bank, using OCT No. P-12026 as collateral. Land Bank alleged that as a condition for the approval of the loan, the title of the collateral should first be transferred to Maniego.

On 14 August 2000, pursuant to a Deed of Absolute Sale dated 11 August 2000 (Deed dated 11 August 2000),^[8] the Register of Deeds of Occidental Mindoro issued Transfer Certificate of Title (TCT) No. T-20151 in Maniego's name. On 15 August 2000, Maniego and Land Bank executed a Credit Line Agreement and a Real Estate Mortgage over TCT No. T-20151. On the same day, Land Bank released the P1,000,000.00 loan proceeds to Maniego. Subsequently, Maniego failed to pay the loan with Land Bank. On 4 November 2002, Land Bank filed an Application for Extra-judicial Foreclosure of Real Estate Mortgage stating that Maniego's total indebtedness amounted to P1,154,388.88.

On 2 December 2002, Poblete filed a Complaint for Nullification of the Deed dated 11 August 2000 and TCT No. T-20151, Reconveyance of Title and Damages with Prayer for Temporary Restraining Order and/or Issuance of Writ of Preliminary Injunction. Named defendants were Maniego, Land Bank, the Register of Deeds of Occidental Mindoro and Elsa Z. Aguirre in her capacity as Acting Clerk of Court of RTC San Jose, Occidental Mindoro. In her Complaint, Poblete alleged that despite her demands on Maniego, she did not receive the consideration of P900,000.00 for Lot No. 29. She claimed that without her knowledge, Maniego used the Deed dated 9 November 1998 to acquire OCT No. P-12026 from Kapantay. Upon her verification with the Register of Deeds, the Deed dated 11 August 2000 was used to obtain TCT No. T-20151. Poblete claimed that the Deed dated 11 August 2000 bearing her and her deceased husband's, Primo Poblete, supposed signatures was a forgery as their signatures were forged. As proof of the forgery, Poblete presented the Death Certificate dated 27 April 1996 of her husband and Report No. 294-502 of the Technical Services Department of the National Bureau of Investigation showing that the signatures in the Deed dated 11 August 2000 were forgeries. Accordingly, Poblete also filed a case for estafa through falsification of public document against Maniego and sought injunction of the impending foreclosure proceeding.

On 7 January 2003, Land Bank filed its Answer with Compulsory Counterclaim and Cross-claim. Land Bank claimed that it is a mortgagee in good faith and it observed due diligence prior to approving the loan by verifying Maniego's title with the Office of the Register of Deeds. Land Bank likewise interposed a cross-claim against Maniego for the payment of the loan, with interest, penalties and other charges. Maniego, on the other hand, separately filed his Answer. Maniego denied the allegations of Poblete and claimed that it was Poblete who forged the Deed dated 11 August 2000. He also alleged that he paid the consideration of the sale to Poblete and even her loans from Kapantay and Land Bank.

The Ruling of the Regional Trial Court

On 28 December 2007, the RTC of San Jose, Occidental Mindoro, Branch 46, rendered a Decision in favor of Poblete, the dispositive portion of which reads:

WHEREFORE, by preponderance of evidence, judgment is hereby rendered in favor of the plaintiff and against the defendants, as follows:

1. Declaring the Deed of Sale dated August 11, 2000 over O.C.T. No. P-12026, as null and void;
2. Declaring Transfer of Certificate of Title No. T-20151 as null and void, it having been issued on the basis of a spurious and forged document;
3. The preliminary [i]njunction issued directing the defendants to refrain from proceedings [sic] with the auction sale of the plaintiff's properties, dated February 10, 2002, is hereby made permanent;
4. Ordering defendant Angelito Joseph Maniego to return to the plaintiff O.C.T. No. P-12026; and
5. Ordering defendant Angelito Joseph Maniego to pay plaintiff the amount of P50,000.00, as and for reasonable attorney's fees.

Judgment is furthermore rendered on the cross-claim of defendant Land Bank of the Philippines against defendant Angelito Joseph Maniego, as follows:

- A. Ordering defendant Angelito Joseph Maniego to pay his co-defendant [L]and Bank of the Philippines his loan with a principal of P1,000,000.00, plus interests, penalties and other charges thereon; and
- B. Ordering defendant Angelito Joseph Maniego to pay the costs of this suit.

SO ORDERED.^[9]

The RTC ruled that the sale between Poblete and Maniego was a nullity. The RTC found that the agreed consideration was P900,000.00 and Maniego failed to pay the consideration. Furthermore, the signatures of Poblete and her deceased husband were proven to be forgeries. The RTC also ruled that Land Bank was not a mortgagee in good faith because it failed to exercise the diligence required of banking institutions. The RTC explained that had Land Bank exercised due diligence, it would have known before approving the loan that the sale between Poblete and Maniego had not been consummated. Nevertheless, the RTC granted Land Bank's cross-claim against Maniego.

In an Order dated 17 March 2008, the RTC denied the Motion for Reconsideration filed by Land Bank for want of merit. Thereafter, Land Bank and Maniego separately challenged the RTC's Decision before the CA.

The Ruling of the Court of Appeals

On 28 September 2010, the CA promulgated its Decision affirming *in toto* the Decision of the RTC.^[10] Both Land Bank and Maniego filed their Motions for Reconsideration but the CA denied both motions on 19 April 2011.^[11]

In a Resolution dated 13 July 2011,^[12] the Second Division of this Court denied the Petition for Review on Certiorari filed by Maniego. This Resolution became final and executory on 19 January 2012.

On the other hand, Land Bank filed this petition.

The Issues

Land Bank seeks a reversal and raises the following issues for resolution:

1. THE COURT OF APPEALS (FORMER SPECIAL ELEVENTH DIVISION) ERRED IN UPHOLDING THE FINDING OF THE TRIAL COURT DECLARING TCT NO. T-20151 AS NULL AND VOID. THE COURT OF APPEALS MISCONSTRUED AND MISAPPRECIATED THE EVIDENCE AND THE LAW IN NOT FINDING TCT NO. T-20151 REGISTERED IN THE NAME OF ANGELITO JOSEPH MANIEGO AS VALID.
2. THE COURT OF APPEALS (FORMER SPECIAL ELEVENTH DIVISION) MISCONSTRUED THE EVIDENCE AND THE LAW IN NOT FINDING LAND BANK A MORTGAGEE IN GOOD FAITH.
3. THE COURT OF APPEALS (FORMER SPECIAL ELEVENTH DIVISION) MISCONSTRUED THE EVIDENCE AND THE LAW IN NOT FINDING THE RESPONDENT AND ANGELITO JOSEPH MANIEGO AS *IN PARI DELICTO*.
4. THE COURT OF APPEALS (FORMER SPECIAL ELEVENTH DIVISION) ERRED IN NOT APPLYING THE PRINCIPLE OF ESTOPPEL OR LACHES ON RESPONDENT IN THAT THE PROXIMATE CAUSE OF HER LOSS WAS HER NEGLIGENCE TO SAFEGUARD HER RIGHTS OVER THE SUBJECT PROPERTY, THEREBY ENABLING ANGELITO JOSEPH MANIEGO TO MORTGAGE THE SAME WITH LAND BANK.^[13]

The Ruling of the Court

We do not find merit in the petition.

A petition for review under Rule 45 of the Rules of Court specifically provides that only questions of law may be raised, subject to exceptional circumstances^[14] which are not present in this case. Hence, factual findings of the trial court, especially if affirmed by the CA, are binding on us.^[15] In this case, both the RTC and the CA found that the signatures of Poblete and her deceased husband in the Deed dated 11 August 2000 were forged by Maniego. In addition, the evidence is preponderant that Maniego did not pay the consideration for the sale. Since the issue on the

genuineness of the Deed dated 11 August 2000 is essentially a question of fact, we are not duty-bound to analyze and weigh the evidence again.^[16]

It is a well-entrenched rule, as aptly applied by the CA, that a forged or fraudulent deed is a nullity and conveys no title.^[17] Moreover, where the deed of sale states that the purchase price has been paid but in fact has never been paid, the deed of sale is *void ab initio* for lack of consideration.^[18] Since the Deed dated 11 August 2000 is void, the corresponding TCT No. T-20151 issued pursuant to the same deed is likewise void. In *Yu Bun Guan v. Ong*,^[19] the Court ruled that there was no legal basis for the issuance of the certificate of title and the CA correctly cancelled the same when the deed of absolute sale was completely simulated, void and without effect. In *Ereña v. Querrer-Kauffman*,^[20] the Court held that when the instrument presented for registration 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 mortgagee acquire any right or title to the property. In such a case, the mortgagee under the forged instrument is not a mortgagee protected by law.^[21]

The issue on the nullity of Maniego's title had already been foreclosed when this Court denied Maniego's petition for review in the Resolution dated 13 July 2011, which became final and executory on 19 January 2012.^[22] It is settled that a decision that has acquired finality becomes immutable and unalterable and may no longer be modified in any respect, even if the modification is meant to correct erroneous conclusions of fact or law and whether it will be made by the court that rendered it or by the highest court of the land.^[23] This is without prejudice, however, to the right of Maniego to recover from Poblete what he paid to Kapantay for the account of Poblete, otherwise there will be unjust enrichment by Poblete.

Since TCT No. T-20151 has been declared void by final judgment, the Real Estate Mortgage constituted over it is also void. In a real estate mortgage contract, it is essential that the mortgagor be the absolute owner of the property to be mortgaged; otherwise, the mortgage is void.^[24]

Land Bank insists that it is a mortgagee in good faith since it verified Maniego's title, did a credit investigation, and inspected Lot No. 29. The issue of being a mortgagee in good faith is a factual matter, which cannot be raised in this petition.^[25] However, to settle the issue, we carefully examined the records to determine whether or not Land Bank is a mortgagee in good faith.

There is indeed 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.^[26] This is the doctrine of "the mortgagee in good faith" based on the rule that buyers or mortgagees dealing with property covered by a Torrens Certificate of Title are not required to go beyond what appears on the face of the title.^[27] However, it has been consistently held that this rule does not apply to banks, which are required to observe a higher standard of diligence.^[28] A bank whose business is impressed with public interest is expected to exercise more care and prudence in its dealings than a private individual, even in cases involving registered lands.^[29] A bank cannot assume that, simply because the title offered as security is on its face