

FIRST DIVISION

[G.R. No. 150318, November 22, 2010]

PHILIPPINE TRUST COMPANY (ALSO KNOWN AS PHILTRUST BANK), PETITIONER, VS. HON. COURT OF APPEALS AND FORFOM DEVELOPMENT CORPORATION, RESPONDENTS.

D E C I S I O N

LEONARDO-DE CASTRO, J.:

This is a Petition for *Certiorari* assailing the Decision^[1] of the Court of Appeals dated June 15, 2001 and the subsequent Resolution^[2] denying reconsideration dated August 21, 2001.

The facts of the case, as determined by the Court of Appeals, are as follows:

Plaintiff Forfom Development Corporation is engaged in agricultural business and real estate development and owns several parcels of land in Pampanga. It is the registered owner of two (2) parcels of land subject of the present controversy, situated in Angeles City, Pampanga, under Transfer Certificate of Title Nos. 10896 and 64884 consisting of 1,126,530 and 571,014 square meters, respectively. Sometime in 1989, plaintiff received a letter from the Department of Agrarian Reform with the names Ma. Teresa Limcauco and Ellenora Limcauco as addressees. Upon verification with the DAR and the Register of Deeds made by plaintiff's Vice-President at that time, Mr. Jose Marie L. Ramos, plaintiff discovered that the subject properties had already been transferred in the names of said Ma. Teresa Limcauco and Ellenora Limcauco who were never known to plaintiff or its employees. Plaintiff's Board of Directors decided to seek the assistance of the National Bureau of Investigation (NBI) to conduct an investigation on the matter. On November 23, 1989, plaintiff caused the annotation of its adverse claim on TCT No. 75533 of the Registry of Deeds of Angeles City.

The results of the NBI Investigation and plaintiff's own inquiry revealed the following acts through which the subject parcels of land were transferred in the names of Ma. Teresa Limcauco and Ellenora Vda. De Limcauco, fictitious names which were used by defendant Honorata Dizon in the questioned transactions:

(1) A "Deed of Absolute Sale" dated March 6, 1987 was executed over the lot covered by TCT No. 64884 in favor of Ellenora Vda. De Limcauco for the price of P500,000.00. A separate "Deed of Absolute Sale" dated October 5, 1987 was likewise executed over the property covered by TCT No. 10896 in favor of Ma. Teresa Limcauco in consideration of

P500,000.00. In both instruments, the signature of the plaintiff's President, Felix H. Limcauco was forged. Likewise, a certification to the effect that plaintiff's Board of Directors had duly approved the sale contained the forged signature of plaintiff's President, Felix H. Limcauco.

(2) On July 7, 1987, a petition for issuance of owner's duplicate copy was filed with the Regional Trial Court of Angeles City, Branch 57 by Ellenora Limcauco who allegedly lost said owner's duplicate copy of TCT No. 64884, which was docketed as Cad. Case No. A-124-160. On January 10, 1989, a separate petition for the issuance of a new owner's duplicate copy was filed with the same court by counsel for Ma. Teresa Limcauco who allegedly lost the owner's duplicate copy of TCT No. 10896, which was docketed as Cad. Case No. A-124-280. After due hearing, the court in Cad. Case No. A-124-280 granted the petition in an Order dated February 1, 1989 which directed the Register of Deeds to issue another owner's duplicate copy of TCT No. 10896 in place of the lost one.

(3) As a consequence of the court's order in Cad. Case No. A-124-280, TCT No. 10896 was cancelled and TCT No. 82760/T-414 was issued in the name of Ma. Teresa Limcauco who had the property covered thereby subdivided into different lots for which TCT Nos. 85585, 85587, 85589 and 85591 were issued in the name of said Ma. Teresa Limcauco. As to TCT No. 64884, this was also cancelled by the Register of Deeds of Angeles City, Honesto G. Guarin, by virtue of a purported court order issued by Judge Eliodoro B. Guinto of RTC-Branch 57. Also appearing as Entry No. 1127 in TCT No. 64884 is the "Secretary's Certificate" in favor of Felix H. Limcauco and Entry No. 1128 which is the sale in favor of Ellenora Limcauco. However, the copy of the court order in Cad. Case No. A-124-160 presented to said Register of Deeds was not signed by Judge Guinto who had denied before the NBI authorities having signed such order or having conducted hearing on said case. The copy submitted to the Register of Deeds was merely stamped "Original Signed." Another document certifying that the Order granting the petition in Cad. Case No. A-124-160 had become final and executory was also submitted to the Register of Deeds in connection with the cancellation of TCT No. 64884. However, then Branch Clerk of Court Benedicto A. Pineda testified that he did not sign said certification and neither had he been aware of the proceedings in Cad. Case No. A-124-160. Atty. Pineda's signature on said certification appears to have been falsified by one Lorenzo San Andres.

(4) Although the property covered by TCT No. 10896 has already been subdivided into different lots and covered by separate titles in the name of Ma. Teresa Limcauco, said lots were not yet transferred or conveyed to third parties. But as to the property covered by TCT No. 64884, said certificate of title was cancelled and a new certificate of title, TCT No. 75436/T-378 was issued in the name of Ellenora Vda. De Limcauco. On September 23, 1987, a Deed of Absolute Sale was executed by Ellenora Vda. De Limcauco in favor of defendant Raul P. Claveria whereby the property covered by TCT No. 64884 was supposedly sold to said defendant for the sum of P5,139,126.00. On September 24, 1987, TCT No. 75436/T-378 was cancelled and a new certificate of title, TCT No.

75533 was issued in the name of defendant Raul P. Claveria. On October 21, 1987, defendant spouses Raul and Elea Claveria mortgaged the property with the defendant Philippine Trust Company to guarantee a loan in the amount of P8,000,000.00, which mortgage was duly registered and annotated as Entry No. 2858 in TCT No. 75533.

On December 26, 1989, plaintiff instituted the present action against the defendants Ma. Teresa Limcauco, Ellenora D. Limcauco, spouses Raul P. Claveria and Elea R. Claveria, Philippine Trust Company and the Register of Deeds of Angeles City. The Complaint alleged conspiratorial acts committed by said defendants who succeeded in causing the fraudulent transfer of registration of plaintiff's properties in the names of Ma. Teresa Limcauco and Ellenora D. Limcauco and the subdivision of the land covered by TCT No. 10896 over which separate titles have been issued. Plaintiff prayed that the trial court render judgment (a) declaring the deeds of sale of March 9, 1987, October 5, 1987 and September 23, 1987 as well as TCT Nos. 75436, 75533, 87269, 85585, 85587, 85589 and 85591, all of the Registry of Deeds of Angeles City as void ab initio, (b) directing the reconveyance of the aforesaid real property in the name of plaintiff corporation, and (c) sentencing defendants to pay plaintiff sums of P1,000,000.00 as moral damages, P100,000.00 plus daily appearance fee of P1,000.00 as attorney's fees, and costs of suit. Defendant Philippine Trust Bank filed a motion for bill of particulars which was granted by the trial court, and accordingly plaintiff amended its Complaint to specifically allege the fraudulent acts and irregularities in the transfer of registration of its properties, in addition to those already specified in the Complaint. Thus plaintiff alleged in addition that (1) the supposed court Order directing the issuance of another owner's duplicate copy actually did not exist, copy of said Order not bearing either the signature of the judge or his branch clerk of court as well as the court seal, and yet accepted at face value in conspiracy or at least negligently, by defendant Register of Deeds of Angeles City, not to mention the haste, among other signs of conspiracy, with which said new owner's duplicate copy of the title was issued; (2) the mortgage executed by defendant-spouses Claveria in favor of defendant bank was characterized by irregularities, the bank having extended a loan in the amount of P8 million, far in excess of the property's market value of P2,855,070.00, as well as the haste in which said loan was granted.

In its Answer, defendant Philippine Trust Company denied the allegations of the Complaint as to the irregularities in the granting of the P8 million loan to defendant-spouses Raul and Elea Claveria. According to said defendant, the Claveria spouses have been their clients since 1986 and on October 2, 1987, all their outstanding obligations in the amount of P7,300,000.00 were consolidated into one (1) account on clean basis. Defendant bank had required the Claveria spouses to secure their clean loan of P7,300,000.00 with a real estate mortgage, and hence on October 21, 1987, said spouses executed mortgage on real property covered by TCT No. 75533 for an obligation of P8 million after securing an advance from the defendant bank in the amount of P700,000.00. It had subjected the land offered as security to the usual bank appraisals and examined the genuineness and authenticity of TCT No. 75533 with

the Register of Deeds of Angeles City and found the same to be in existence and in order. Thereupon, the deed of mortgage executed by the Claveria spouses was registered by the defendant bank with the Register of Deeds and had it annotated in the original copy of the title. Defendant bank thus prayed that after due hearing, the complaint against it be dismissed and a decision be rendered (a) holding as valid and legal the mortgage on the real property covered by TCT No. 75533 of the Registry of Deeds of Angeles City, and (b) on its counterclaim, ordering the plaintiff to pay to defendant bank the amounts of P50,000.00 as actual damages, P1,000,000.00 as moral damages, P100,000.00 as attorney's fees, and the costs of suit.

On motion of plaintiff, the trial court ordered the service of summons by publication with respect to defendants Ma. Teresa Limcauco, Ellenora Limcauco, Raul P. Claveria and Elea Claveria, whose addresses could not be located by the Sheriff and even by the parties.

Defendant Register of Deeds of Angeles City filed his Answer denying that he conspired with the other defendants in effecting the transfer of registration of the subject properties and averring that it had issued the questioned transfer certificates of title to defendants Ma. Teresa Limcauco, Ellenora Vda. de Limcauco and the spouses Raul and Elea Claveria on the basis of documents filed with it and existing in the Office of the Register of Deeds of Angeles City. In his defense, defendant Register of Deeds maintained that he had no reason or basis to question the validity and legality of the documents presented before him for registration nor to question the genuineness of the signatures appearing therein, as well as the Orders of RTC-Angeles City, Branch 57, which contained a signature over and above the typewritten name of Judge Eliodoro B. Guinto. He had the right to assume that official functions were regularly performed. Plaintiff therefore has no cause of action against the defendant Register of Deeds as the latter merely performed his duties and functions embodied under Sec. 10 of P.D. No. 1529. By way of counterclaim, defendant Register of Deeds alleged bad faith and malice in plaintiff's filing of the complaint against him, stating that (1) despite plaintiff's knowledge that defendant Register of Deeds has not committed any act of malfeasance or misfeasance in the registration of the subject certificates of title, he was subjected to an investigation by NBI authorities at the instance of plaintiff and was compelled to give a sworn statement before said government authorities in order to clear his name; and (2) plaintiff's former counsel had earlier manifested that the Register of Deeds was being impleaded merely as a nominal party; however, in a sudden and unexplained turnabout, plaintiff impleaded defendant Register of Deeds as a principal party in its Amended Complaint. Defendant Register of Deeds thus prayed for the dismissal of the complaint against him for utter lack of merit and on his counterclaim, that a decision be rendered ordering the plaintiff to pay the defendant Register of Deeds the following sums: P200,000.00 by way of moral damages, P100,000.00 by way of exemplary damages, P20,000.00 by way of attorney's fees plus P500.00 per appearance, and costs of suit.

In an Order dated October 30, 1991, the trial court declared the

defendants Ma. Teresa Limcauco, Ellenora Limcauco, Raul P. Claveria and Elea R. Claveria in default for their failure to file the necessary responsive pleadings despite the lapse of sixty (60) days from the last day of publication of summons, and accordingly allowed the plaintiff to present its evidence *ex parte* against the said defendants. During the pre-trial conference held on November 25, 1991, plaintiff's counsel manifested that it was joining the defendant Register of Deeds only as a nominal party as the latter also waived his counterclaim against the plaintiff.

On February 4, 1992, the trial court granted plaintiff's motion to authenticate the signatures appearing in the Deeds of Sale of October 5, 1987 and March 6, 1987, and that of Josefina K. Limcauco appearing in the Secretary's Certificate containing the supposed Board resolution of plaintiff approving the sale of the parcels of land covered by TCT Nos. 10896 and 64884. The said documents were ordered forwarded to the NBI for authentication. During the pre-trial conference conducted on August 25, 1992, the parties agreed on two (2) issues for resolution during the trial: (1) whether or not the Deeds of Absolute Sale purportedly executed by the plaintiff covering the subject real properties, as well as the titles issued thereat, TCT Nos. 75436, 75533, 87269, 85585, 85587, 85589 and 85591, all of the Registry of Deeds of Angeles City are genuine and valid; and (2) whether or not the mortgage on the real property covered by TCT No. 75533 of the Registry of Deeds of Angeles City is valid and legal. At the trial proper, plaintiff presented as its witnesses Jose Marie L. Ramos (Vice-President of plaintiff corporation), Alberto Ramos (NBI officer), Eliodoro Constantino (NBI handwriting expert), Felix H. Limcauco, Jr. (former President of plaintiff corporation) and Atty. Benedicto Pineda (former Branch Clerk of Court of RTC- Angeles City, Branch 57). Defendant Philippine Trust Company, on the other hand, presented the testimony of defendant Atty. Honesto Guarin (Register of Deeds of Angeles City). After the formal offer of the respective documentary evidence of the parties and submission of their memoranda, the case was submitted for decision. x x x.^[3]

On December 29, 1993, the RTC rendered its Decision in favor of private respondent Forfom Development Corporation (Forfom):

WHEREFORE, all the [foregoing] considered, judgment is hereby rendered in favor of the plaintiff and against the defendants Philippine Trust Co., spouses Raul P. Claveria and Elea R. Claveria, Ma. Teresa Limcauco @ Honorata Dizon and Ellenora Vda. de Limcauco @ Honorata Dizon:

1. Declaring the Deeds of Sale of 9 March 1987, 23 September 1987 and 5 October 1987 as well as Transfer Certificates of Title Nos. 75436, 75533, 82760, 85585, 85587, 85589 and 85591 all of the Register of Deeds of Angeles City as void ab initio;
2. Ordering the Register of Deeds of Angeles City to reinstate Transfer Certificates of Title Nos. 10896 and 64884 in the name of the plaintiff or