

SECOND DIVISION

[G.R. No. 171531, January 30, 2009]

GUARANTEED HOMES, INC., PETITIONER, VS. HEIRS OF MARIA P. VALDEZ, (EMILIA V. YUMUL AND VICTORIA V. MOLINO), HEIRS OF SEVERINA P. TUGADE (ILUMINADA AND LEONORA P. TUGADE, HEIRS OF ETANG P. GATMIN (LUDIVINA G. DELA CRUZ (BY AND THROUGH ALFONSO G. DELA CRUZ), HILARIA G. COBERO AND ALFREDO G. COBERO) AND SIONY G. TEPOL (BY AND THROUGH ELENA T. RIVAS AND ELESIO TEPOL, JR.), AS HEIRS OF DECEDENT PABLO PASCUA, RESPONDENTS.

D E C I S I O N

TINGA, J.:

This is a petition for review^[1] under Rule 45 of the Rules of Court of the Court of Appeals' Decision dated 22 March 2005^[2] and Resolution dated 9 February 2006^[3] in CA-G.R. CV No. 67462. The Court of Appeals reversed the 12 November 1999 Order of the Regional Trial Court (RTC) of Olongapo City, Branch 73^[4] which granted the motion to dismiss filed by Guaranteed Homes, Inc. (petitioner). The appellate court denied petitioner's motion for reconsideration.

The factual antecedents are as follows:

Respondents, who are the descendants of Pablo Pascua (Pablo), filed a complaint seeking reconveyance of a parcel of land with an area of 23.7229 hectares situated in Cabitaugan, Subic, Zambales and covered by Original Certificate of Title (OCT) No. 404 in the name of Pablo.^[5] In the alternative, the respondents prayed that damages be awarded in their favor.^[6]

OCT No. 404^[7] was attached as one of the annexes of respondents' complaint. It contained several annotations in the memorandum of encumbrances which showed that the property had already been sold by Pablo during his lifetime to Alejandria Marquinez and Restituto Morales. Respondents also attached copies of the following documents as integral parts of their complaint: Transfer Certificate of Title (TCT) No. T-8241,^[8] TCT No. T-8242,^[9] TCT No. T-10863,^[10] the Extrajudicial Settlement of a Sole Heir and Confirmation of Sales^[11] executed by Cipriano Pascua, Sr. (Cipriano), and the Deed of Sale with Mortgage^[12] between spouses Albino Rodolfo and Fabia Rodolfo (spouses Rodolfo) and petitioner.

In their complaint,^[13] respondents alleged that Pablo died intestate sometime in June 1945 and was survived by his four children, one of whom was the deceased Cipriano.^[14] On 13 February 1967, Cipriano executed a document denominated as "Extrajudicial Settlement of a Sole Heir and Confirmation of Sales,"^[15] wherein he

declared himself as the only heir of Pablo and confirmed the sales made by the decedent during his lifetime, including the alleged sale of the disputed property to spouses Rodolfo.

Respondents likewise averred that on the following day 14 February 1967, TCT No. T-8241^[16] was issued in the name of Cipriano "without OCT No. 404 having been cancelled."^[17] However, TCT No. T-8241 was not signed by the Register of Deeds. On the same day, TCT No. T-8242 was issued in the name of the spouses Rodolfo and TCT No. T-8241 was thereby cancelled.^[18] Subsequently, on 31 October 1969, the spouses Rodolfo sold the disputed property to petitioner by virtue of a Deed of Sale with Mortgage. Consequently, on 5 November 1969, TCT No. T-8242 was cancelled and TCT No. T-10863^[19] was issued in the name of petitioner.^[20]

It was further averred in the complaint that Jorge Pascua, Sr., son of Cipriano, filed on 24 January 1997 a petition before the RTC of Olongapo City, Branch 75, for the issuance of a new owner's duplicate of OCT No. 404, docketed as Other Case No. 04-0-97.^[21] The RTC denied the petition.^[22] The trial court held that petitioner was already the owner of the land, noting that the failure to annotate the subsequent transfer of the property to it at the back of OCT No. 404 did not affect its title to the property.

Petitioner filed a motion to dismiss^[23] the complaint on the grounds that the action is barred by the Statute of Limitations, more than 28 years having elapsed from the issuance of TCT No. T-10863 up to the filing of the complaint, and that the complaint states no cause of action as it is an innocent purchaser for value, it having relied on the clean title of the spouses Rodolfo.

Impleaded as defendants, the heirs of Cipriano filed an answer to the complaint in which they denied knowledge of the existence of the extrajudicial settlement allegedly executed by Cipriano and averred that the latter, during his lifetime, did not execute any document transferring ownership of the property.^[24]

The Register of Deeds and the National Treasurer filed, through the Office of the Solicitor General, an answer averring that the six (6)-year period fixed in Section 102 of Presidential Decree (P.D.) No. 1529 for the filing of an action against the Assurance Fund had long prescribed since the transfer of ownership over the property was registered through the issuance of TCT No. T-10863 in favor of petitioner as early as 1969. They also claimed that respondents have no cause of action against the Assurance Fund since they were not actually deprived of ownership over the property, as they could have recovered the property had it not been for their inaction for over 28 years.^[25]

The RTC granted petitioner's motion to dismiss.^[26] Noting that respondents had never claimed nor established that they have been in possession of the property and that they did not present any evidence to show that petitioner has not been in possession of the property either, the RTC applied the doctrine that an action to quiet title prescribes where the plaintiff is not in possession of the property.

The trial court found that the complaint per its allegations presented a case of implied or constructive trust on the part of Cipriano who had inaccurately claimed to

be the sole heir of Pablo in the deed of extrajudicial settlement of estate which led to the issuance of TCT No. T- 8241 in his favor. As the prescriptive period for reconveyance of a fraudulently registered real property is ten (10) years reckoned from the date of the issuance of the title, the trial court held that the action for reconveyance had already prescribed with the lapse of more than 28 years from the issuance of TCT No. T-10863 on 5 November 1969 as of the filing of the complaint on 21 November 1997.

The RTC added that it is an enshrined rule that even a registered owner of property may be barred from recovering possession of property by virtue of laches.

The RTC further held that petitioner had the right to rely on TCT No. T- 8242 in the name of spouses Rodolfo. Petitioner is not obliged to go beyond the title considering that there were no circumstances surrounding the sale sufficient to put it into inquiry.

Concerning the Assurance Fund, the RTC held that the claim against it had long prescribed since Section 102 of P.D. No. 1529 provides for a six-year period within which a plaintiff may file an action against the fund and in this case the period should be counted from the time of the issuance of the challenged TCT No. T-10863 on 5 November 1969 and thus expired in 1975.

Undaunted, respondents appealed to the Court of Appeals.^[27]

The Court of Appeals reversed the RTC's order.^[28] In ordering the reinstatement of the complaint, the appellate court ruled that the averments in respondents' complaint before the RTC make out a case for quieting of title which has not prescribed. Respondents did not have to prove possession over the property since petitioner as the movant in a motion to dismiss hypothetically admitted the truth of the allegations in the complaint. The appellate court found that possession over the property was sufficiently alleged in the complaint which stated that "neither petitioner nor the Rodolfo spouses ever had possession of the disputed property" as "a number of the Pascua heirs either had been (still are) in actual, continuous and adverse possession thereof or had been enjoying (still are enjoying) the use thereof."^[29] By the same token, laches had not set in, the Court of Appeals added.

The appellate court further held that the ruling of the RTC that petitioner is an innocent purchaser for value is contrary to the allegations in respondents' complaint.

Hence, the present petition for review.

The sole issue before this Court revolves around the propriety of the RTC's granting of the motion to dismiss and conversely the tenability of the Court of Appeals' reversal of the RTC's ruling.

The petition is meritorious.

It is well-settled that to sustain a dismissal on the ground that the complaint states no cause of action, the insufficiency of the cause of action must appear on the face of the complaint, and the test of the sufficiency of the facts alleged in the complaint to constitute a cause of action is whether or not, admitting the facts alleged, the

court could render a valid judgment upon the same in accordance with the prayer of the complaint. For the purpose, the motion to dismiss must hypothetically admit the truth of the facts alleged in the complaint.^[30] The admission, however, is limited only to all material and relevant facts which are well pleaded in the complaint.^[31]

The factual allegations in respondents' complaint should be considered in tandem with the statements and inscriptions on the documents attached to it as annexes or integral parts. In a number of cases, the Court held that in addition to the complaint, other pleadings submitted by the parties should be considered in deciding whether or not the complaint should be dismissed for lack of cause of action.^[32] Likewise, other facts not alleged in the complaint may be considered where the motion to dismiss was heard with the submission of evidence, or if documentary evidence admitted by stipulation discloses facts sufficient to defeat the claim.^[33] For while the court must accept as true all well pleaded facts in the complaint, the motion does not admit allegations of which the court will take judicial notice are not true, nor does the rule apply to legally impossible facts, nor to facts inadmissible in evidence, nor to facts which appear by record or document included in the pleadings to be unfounded.^[34]

In the case at bar, the trial court conducted a hearing on the motion to dismiss. At the hearing, the parties presented documentary evidence. Among the documents marked and offered in evidence are the annexes of the complaint.^[35]

Based on the standards set by this Court in relation to the factual allegations and documentary annexes of the complaint as well as the exhibits offered at the hearing of the motion to dismiss, the inescapable conclusion is that respondents' complaint does not state a cause of action against petitioner.

Firstly, the complaint does not allege any defect with TCT No. T-8242 in the name of the spouses Rodolfo, who were petitioner's predecessors-in-interest, or any circumstance from which it could reasonably be inferred that petitioner had any actual knowledge of facts that would impel it to make further inquiry into the title of the spouses Rodolfo.^[36] It is basic that a person dealing with registered property need not go beyond, but only has to rely on, the title of his predecessor-in-interest. Since "the act of registration is the operative act to convey or affect the land insofar as third persons are concerned," it follows that where there is nothing in the certificate of title to indicate any cloud or vice in the ownership of the property, or any encumbrance thereon, the purchaser is not required to explore farther than what the Torrens title upon its face indicates in quest for any hidden defect or inchoate right that may subsequently defeat his right thereto. If the rule were otherwise, the efficacy and conclusiveness of the certificate of title which the Torrens system seeks to insure would entirely be futile and nugatory. The public shall then be denied of its foremost motivation for respecting and observing the Torrens system of registration. In the end, the business community stands to be inconvenienced and prejudiced immeasurably.^[37]

Contrary to the assertion of respondents, OCT No. 404 was expressly cancelled by TCT No. T-8241. The alleged non-signature by the Register of Deeds Soliman Achacoso, , does not affect the validity of TCT No. T-8241 since he signed TCT No. T-8242 and issued both titles on the same day. There is a presumption of regularity in

the performance of official duty. The presumption is further bolstered by the fact that TCT No. T-8241 was certified to be on file with the Registry of Deeds and registered in the name of Cipriano. It is enough that petitioner had examined the latest certificate of title which in this case was issued in the name of the immediate transferor, the spouses Rodolfo. The purchaser is not bound by the original certificate but only by the certificate of title of the person from whom he had purchased the property.^[38]

Secondly, while the Extrajudicial Settlement of a Sole Heir and Confirmation of Sales executed by Cipriano alone despite the existence of the other heirs of Pablo, is not binding on such other heirs, nevertheless, it has operative effect under Section 44 of the Property Registration Decree, which provides that:

SEC. 44. *Statutory Liens Affecting Title.* -- Every registered owner receiving a certificate of title in pursuance of a decree of registration, and every subsequent purchaser of registered land taking a certificate of title for value and in good faith, shall hold the same free from all encumbrances except those noted on said certificate and any of the following encumbrances which may be subsisting, namely:

X X X X

Even assuming *arguendo* that the extrajudicial settlement was a forgery, the Court still has to uphold the title of petitioner. The case law is that although generally a forged or fraudulent deed is a nullity and conveys no title, there are instances when such a fraudulent document may become the root of a valid title.^[39] And one such instance is where the certificate of title was already transferred from the name of the true owner to the forger, and while it remained that way, the land was subsequently sold to an innocent purchaser. For then, the vendee had the right to rely upon what appeared in the certificate.^[40]

The Court cannot give credence to respondents' claims that the Extrajudicial Settlement of a Sole Heir and Confirmation of Sales was not registered and that OCT No. 404 was not cancelled by the Register of Deeds. The Register of Deeds of Zambales certified that the extrajudicial settlement was recorded on 14 February 1967, per Entry No. 18590. This is in compliance with Section 56 of Act No. 496,^[41] the applicable law at the time of registration, which provides that:

Sec. 56. Each register of deeds shall keep an entry book in which he shall enter in the order of their reception all deeds and other voluntary instruments, and all copies of writs and other process filed with him relating to registered land. He shall note in such book the year, month, day, hour, and minute of reception of all instruments, in the order in which they are received. **They shall be regarded as registered from the time so noted**, and the memorandum of each instrument when made on the certificate of title to which it refers shall bear the same date. [Emphasis supplied]

Registration in the public registry is notice to the whole world. Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land shall be, if registered, filed or entered in the Office of the Register of Deeds of the province or city where the land to which it relates lies, be constructive