

THIRD DIVISION

[G.R. No. 150824, February 04, 2008]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE DIRECTOR OF LANDS, RESPONDENT.

DECISION

REYES, R.T., J.:

FOREST lands are outside the commerce of man and unsusceptible of private appropriation in any form.^[1]

It is well settled that a certificate of title is void when it covers property of public domain classified as forest, timber or mineral lands. Any title issued covering non-disposable lots even in the hands of an alleged innocent purchaser for value shall be cancelled.^[2] The rule must stand no matter how harsh it may seem. *Dura lex sed lex.*^[3] ***Ang batas ay maaaring mahigpit subalit ito ang mananaig.***

Before Us is a petition for review on *certiorari* under Rule 45 filed by petitioner Land Bank of the Philippines (LBP) appealing the: (1) Decision^[4] of the Court of Appeals (CA), dated August 23, 2001, in CA-G.R. CV No. 64121 entitled "*Republic of the Philippines, represented by the Director of Lands v. Angelito Bugayong, et al.*"; and (2) Resolution^[5] of the same Court, dated November 12, 2001, denying LBP's motion for reconsideration.

The CA affirmed the Decision^[6] of the Regional Trial Court (RTC), dated July 9, 1996, declaring null and void Original Certificate of Title (OCT) No. P-2823, as well as other titles originating from it, on the ground that at the time it was issued, the land covered was still within the forest zone.^[7]

The Facts

OCT No. P-2823 was issued on September 26, 1969 in favor of one Angelito C. Bugayong. Said mother title emanated from Sales Patent No. 4576 issued in Bugayong's name on September 22, 1969.^[8] It covered a parcel of land located in Bocana, Kabacan, Davao City, with an area of 41,276 square meters. It was originally identified and surveyed as Lot No. 4159 under Plan SI-(VIII-1), 328-D. Marshy and under water during high tide, it used to be a portion of a dry river bed near the mouth of Davao River.^[9]

The land was initially subdivided into four lots, viz.: Lot Nos. 4159-A, 4159-B, 4159-C and 4159-D under Subdivision Plan (LRC) Psd-139511 approved by the Commissioner of Land Registration on April 23, 1971.^[10] Consequently, OCT No. P-

2823 was cancelled and new Transfer Certificates of Title (TCTs) replaced it, all in the name of Bugayong.

Bugayong sold all of the four lots to different persons. Lot No. 4159-A, which was then under TCT No. T-32769, was sold to spouses Lourdes and Candido Du. Accordingly, said TCT was cancelled and replaced by TCT No. T-42166 in the name of spouses Du.^[11]

Afterwards, the spouses Du further caused the subdivision of the land covered by their TCT No. T-42166 into two (2) lots. They sold one of said lots to spouses Felix and Guadalupe Dayola, who were issued TCT No. T-45586. The other remaining lot, registered under TCT No. T-45587, was retained by and registered in the names of spouses Du.^[12]

Subsequently, Du spouses' TCT No. T-45587 was cancelled and was replaced by TCT No. T-57348 registered in the name of Lourdes Farms, Inc. subject of this case. ^[13] Lourdes Farms, Inc. mortgaged this property to petitioner LBP on April 14, 1980.^[14]

The validity of OCT No. P-2823, as well as its derivative TCTs, remained undisturbed until some residents of the land it covered, particularly those along Bolton Diversion Road, filed a formal petition before the Bureau of Lands on July 15, 1981.^[15]

Investigation and ocular inspection were conducted by the Bureau of Lands to check the legitimacy of OCT No. P-2823. They found out that: (1) at the time Sales Patent No. 4576 was issued to Bugayong, the land it covered was still within the forest zone, classified under Project No. 1, LC-47 dated August 6, 1923; it was released as alienable and disposable land only on March 25, 1981, pursuant to BFD Administrative Order No. 4-1585 and to the provisions of Section 13, Presidential Decree (P.D.) No. 705;^[16] (2) the land was marshy and covered by sea water during high tide; and (3) Bugayong was never in actual possession of the land.^[17]

In view of the foregoing findings, the Bureau of Lands resolved that the sales patent in favor of Bugayong was improperly and illegally issued and that the Director of Lands had no jurisdiction to dispose of the subject land.^[18]

Upon recommendation of the Bureau of Lands, the Republic of the Philippines represented by the Director of Lands, through the Office of the Solicitor General (OSG), instituted a complaint^[19] before the RTC in Davao, Branch 15, for the cancellation of title/patent and reversion of the land covered by OCT No. P-2823 into the mass of public domain. The complaint, as amended,^[20] was filed against Bugayong and other present owners and mortgagees of the land, such as Lourdes Farms, Inc. and the latter's mortgagee, petitioner LBP.

In its answer with cross-claim,^[21] LBP claimed that it is a mortgagee in good faith and for value. It prayed that should TCT No. T-57348 of Lourdes Farms, Inc. be annulled by the court, Lourdes Farms, Inc. should be ordered to pay its outstanding obligations to LBP or to provide a ne collateral security.^[22]

RTC Judgment

Eventually, the RTC rendered its judgment [23] on July 9, 1996 determining that:

x x x The mistakes and the flaws in the granting of the title were made by the Bureau of Lands personnel more particularly the Director of Lands who is the Officer charged with the following the provisions of the Public Land Law. x x x.

It is clear that the mother Title, OCT-P-2823 in the name of defendant Bugayong was issued at a time when the area was not yet released by the Bureau of Forestry to the Bureau of Lands.

The area covered by OCT No. P. 2823 was not yet declared by the Bureau of Lands alienable and disposable when the said OCT was issued. The subdivision of the lot covered by OCT P-2823 into 4 lots covered by TCT Nos. T-32768, 32769, 32756 and 32771 did not cure the defect. x x x.
[24]

The RTC explained that titles issued to private parties by the Bureau of Lands are void *ab initio* if the land covered by it is a forest land.[25] It went further by stating that if the mother title is void, all titles arising from the mother title are also void.
[26] It thus ruled in favor of the Republic with a fallo reading:

IN VIEW WHEREOF, judgment is hereby rendered declaring Original Certificate of Title No. P-2823 issued in the name of defendant Angelito Bugayong null and void. The following Transfer Certificate of Titles which were originally part of the lot covered by O.C.T. No. P-2823 are likewise declared void:

1. A. TCT No. 57348 in the name of defendant Lourdes Farms mortgaged to defendant Land Bank.

B. TCT No. 84749 in the name of defendants Johnny and Catherine Du mortgaged to defendant Development Bank of the Philippines.

C. TCT No. 37386 in the name of defendants spouses Pahamotang mortgaged to defendant Lourdes Du mortgaged with defendant Allied Bank.

E. TCT Nos. 68154 and 32768 in the names of defendants/spouses Maglana Santamaria.
2. All private defendants shall give to the Davao City Register of Deeds their titles, who shall cancel the Transfer Certificate of Titles mentioned in paragraph number one.
3. Lot No. 4159, Plan SI (VIII-1) 328-D covered by O.C.T. P-2823 is hereby REVERTED to the mass of public domain.

SO ORDERED.[27] (Underscoring supplied)

Disagreeing with the RTC judgment, LBP appealed to the CA on October 31, 1996. It asserted in its appellant's brief^[28] that it validly acquired mortgage interest or lien over the subject property because it was an innocent mortgagee for value and in good faith.^[29] It also emphasized that it is a government financial institution.

CA Disposition

In a Decision^[30] dated August 23, 2001, the CA ruled against the appellants, ^[31] disposing thus:

WHEREFORE, premises considered, the present appeals are hereby DISMISSED and the Decision of the trial court in Civil Case No. 17516 is hereby AFFIRMED.^[32]

The CA confirmed that the "evidence for the plaintiff clearly established that the land covered by OCT No. P-2823 issued pursuant to a sales patent granted to defendant Angelito C. Bugayong was still within the forestal zone at the time of the grant of the said patent."^[33] It explained:

Forest lands or forest reserves, are incapable of private appropriation and possession thereof, however long, cannot convert them into private properties. This is premised on the *Regalian Doctrine* enshrined not only in the 1935 and 1973 Constitutions but also in the 1987 Constitution. Our Supreme Court has upheld this rule consistently even in earlier cases. It has also been held that whatever possession of the land prior to the date of release of forested land as alienable and disposable cannot be credited to the 30-year requirement (now, since June 12, 1945) under Section 48(b) of the Public Land Act. It is only from that date that the period of occupancy for purposes of confirmation of imperfect or incomplete title may be counted. Since the subject land was declared as alienable and disposable only on March 25, 1981, appellants and their predecessors-in-interest could not claim any vested right thereon prior to its release from public forest zone.

The inclusion of forest land in a title, "whether title be issued during the Spanish regime or under the Torrens system, nullifies the title." It is, of course, a well-recognized principle that the Director of Lands (now Land Management Bureau) is bereft of any jurisdiction over public forest or any lands not capable of registration. It is the Bureau of Forestry that has jurisdiction and authority over the demarcation, protection, management, reproduction, occupancy and use of all public forests and forest reservations and over the granting of licenses for the taking of products therefrom. And where the land applied for is part of the public forest, the land registration court acquires no jurisdiction over the land, which is not yet alienable and disposable.

Thus, notwithstanding the issuance of a sales patent over the subject parcel of land, the State may still take action to have the same land reverted to the mass of public domain and the certificate of title covering said forest land declared null and void for having been improperly and illegally issued. Titles issued over non-alienable public lands have been held as void *ab initio*. The defense of indefeasibility of title issued

pursuant to such patent does not lie against the State. Public land fraudulently included in patents or certificates of title may be recovered or reverted to the State in accordance with Section 101 of the Public Land Act. In such cases, prescription does not lie against the State. Likewise, the government is not estopped by such fraudulent or wrongful issuance of a patent over public forest land inasmuch as the principle of estoppel does not operate against the Government for the acts of its agents. x x x.^[34] (Citations omitted)

With respect to LBP's contention^[35] that it was a mortgagee in good faith and for value, the CA declared, citing *Republic v. Reyes*^[36] that: "mortgagees of non-disposable lands where titles thereto were erroneously issued acquire no protection under the land registration law. Appellants-mortgagees' proper recourse therefore is to pursue their claims against their respective mortgagors and debtors."^[37]

When LBP's motion for reconsideration was denied, it resorted to the petition at bar.

Issues

LBP seeks the reversal of the CA disposition on the following grounds –

A.

THE COURT OF APPEALS ERRED IN NOT FINDING THAT THE PETITIONER LAND BANK OF THE PHILIPPINES' MORTGAGE RIGHT AND INTEREST AS AN INNOCENT PURCHASER (MORTGAGEE) FOR VALUE AND IN GOOD FAITH OVER THE SUBJECT LAND COVERED BY TCT NO. T-57348 IS VALID AND SUBSISTING IN ACCORDANCE WITH THE LAW AND EXISTING JURISPRUDENCE IN OUR COUNTRY.

B.

THE COURT OF APPEALS ERRED IN NOT FINDING PETITIONER LAND BANK OF THE PHILIPPINES' MORTGAGE RIGHT AND INTEREST OVER THE SUBJECT LAND AS VALID AND SUBSISTING UNDER THE CONSTITUTIONAL GUARANTEE OF NON-IMPAIRMENT OF OBLIGATION OF CONTRACTS.

C.

THE COURT OF APPEALS ERRED IN NOT AWARDING TO PETITIONER LAND BANK OF THE PHILIPPINES THE RELIEF PRAYED FOR UNDER ITS CROSS-CLAIM AGAINST CO-DEFENDANT LOURDES FARMS, INC., THAT IS, ORDERING SAID CO-DEFENDANT LOURDES FARMS, INC. TO PAY ITS OUTSTANDING OBLIGATION TO THE LAND BANK COVERED BY THE SUPPOSED NULL AND VOID TCT NO. T-57348, OR TO PROVIDE A SUBSTITUTE COLLATERAL IN LIEU OF SAID TCT NO. T-57348.^[38]
(Underscoring supplied)

Our Ruling

LBP has no valid and subsisting mortgagee's interest over the land covered