

SECOND DIVISION

[G.R. No. 165114, August 06, 2008]

**REPUBLIC OF THE PHILIPPINES, PETITIONER, VS. MABELLE
RAVELO AND SPOUSES EMMANUEL AND PERLITA REDONDO,
RESPONDENTS.**

D E C I S I O N

BRION, J.:

The State seeks in this Petition for Review on *Certiorari*^[1] to secure the cancellation of title and reversion of a real property granted to Mabelle Ravelo under a sales patent. Title to the property has passed on to parties who now claim that they are innocent purchasers in good faith; thus their claim cannot be defeated by any defect in the title of the original grantee.

The records show the pertinent facts summarized below.

On September 17, 1969, Jose Fernando filed a miscellaneous sales application over Lot No. 16, Block 2 (*subject lot*) situated in Mabayan Extension, Gordon Heights, Olongapo City. On June 10, 1970, he relinquished his right over the subject lot to Victoriano Mortera, Jr., who submitted his own patent application. On June 13, 1983, one Severino Muyco also filed a miscellaneous sales application for the same property.

The Department of Environment and Natural Resources (*DENR*)-Region III investigated the conflict between the two applications. On May 31, 1989, it issued an order in favor of Jose Fernando and Victoriano Mortera, Jr.

Prior to the DENR's action, specifically on February 16, 1989, the Director of Lands issued Sales Patent No. 12458 covering the same subject lot to respondent Mabelle B. Ravelo (*Ravelo*). She was subsequently issued Original Certificate of Title (*OCT*) No. P-4517 registered with the Registry of Deeds of Olongapo City. In effect, the DENR-III's Order of May 31, 1989 in the Fernando-Mortera-Muyco dispute was not enforced; on August 4, 1989 Jose Fernando filed a protest against Ravelo's title.

The petitioner Republic of the Philippines (*petitioner*), through the DENR-III Executive Director, filed a complaint^[2] for cancellation of title against Ravelo before the Olongapo Regional Trial Court (*RTC*) on November 6, 1992. Assisted by the Office of the Solicitor General (*OSG*), the petitioner asked for the cancellation of Ravelo's OCT No. P-4517 and Sales Patent No. 12458 on the allegation that the issuance of the patent by the Director of Lands violated DENR Administrative Order (*A.O.*) No. 20 dated May 30, 1998. This A.O. mandates that applications for sales patent should be filed with the DENR regional office that has jurisdiction over the land applied for, not with the Director of Lands in Manila. Ravelo's application was filed with the Director of Lands in Manila although the subject lot is located in

Olongapo City; the application should have been filed with DENR-III in San Fernando, Pampanga. The government also accused Ravelo of fraud for asserting in her application that the land was not occupied and was a part of the public domain.

On March 24, 1994, a notice of *lis pendens* (indicating the pendency of the petitioner's complaint) was inscribed as Entry No. 7219 on Ravelo's OCT No. P-4517.

In a separate development, one Antonio Chieng filed on December 13, 1989 a collection suit against Ravelo before the RTC of Olongapo City, which suit led to a judgment against Ravelo and the issuance of a writ of execution. The Notice of Levy was registered with the Register of Deeds on March 17, 1993. In the auction sale that followed, Wilson Chieng (*Chieng*), Antonio Chieng's son, won as highest bidder. A certificate of sale was issued to Chieng and the sale was registered with the Olongapo Registry of Deeds on May 25, 1993.

The respondent-spouses Emmanuel and Perlita Redondo (*Redondos*), who own and reside in a property adjacent to the subject lot, subsequently bought the subject lot from Chieng. The parties first signed an agreement for the purchase of the subject lot on May 11, 1993, and upon payment of the agreed purchase price, executed on December 20, 1993 a deed of absolute sale.

On September 23, 1994, the final deed of sale (dated June 26, 1994) covering the subject lot in favor of Chieng was inscribed as Entry No. 2419 on OCT No. P-4517. On the same date, Transfer Certificate of Title (TCT) No. T-7209 covering the subject lot was issued to Chieng. Entry No. 7219 (the petitioner's complaint for cancellation and reversion) was carried at the back of Chieng's TCT No. T-7209.

Chieng and the Redondos entered into another deed of sale in the Redondos' favor on November 21, 1994. This deed was inscribed as Entry No. 7554 at the back of TCT T-7209 on December 20, 1994. On the same day, TCT No. T-7261 covering the subject lot was issued to the Redondos.

In her Answer, Ravelo insisted that her application passed through the regular process; that she had been in possession of the property from the time of her application; and that Mortera was never in possession of the land.

The trial court received the government's evidence *ex-parte* after Ravelo failed to attend the trial.

On January 6, 1995, the Redondos intervened, alleging that they acquired the subject lot in good faith and for value. Emmanuel Redondo testified that Antonio Chieng's son Wilson executed a deed of sale dated December 20, 1993 in his and his wife Perlita's favor. After their purchase, they secured a certification from the Bureau of Forestry declaring the land for taxation purposes.

The Trial Court Decision

On May 12, 1998, the RTC decided in the petitioner's favor and cancelled Ravelo's Sales Patent No. 12458 and OCT No. P-4517, Chieng's TCT No. T-7209, and the Redondos' TCT No. T-7261. The court also ordered the reversion of the land to the mass of the public domain,^[3] relying on the Bureau of Land's recommendation to cancel Ravelo's title and patent for being fraudulently obtained. It explained that the

intervenors were not buyers in good faith because they failed to inquire with the trial court whether other cases have been filed against Ravelo. It agreed with the OSG that the land should revert to petitioner pursuant to Commonwealth Act (C.A.) No. 141 or the Public Land Act, as amended by Republic Act (R.A.) No. 6516^[4] because it was sold in a public auction within the period when the alienation of lands granted through sales patent is prohibited.

The Court of Appeals Decision

The Court of Appeals, on the Redondos' appeal docketed as CA-G.R. CV No. 60665, ^[5] reversed and set aside the trial court's ruling and declared the Redondos as innocent purchasers in good faith. The appellate court also declared the Redondos' TCT No. T-7261 valid.^[6]

The appellate court ruled that the Redondos were buyers in good faith because they and Chieng entered their agreement for the purchase of the subject lot on May 11, 1993 and executed their Deed of Sale on December 20, 1993, prior to the annotation of the notice of *lis pendens* on March 24, 1994, and prior as well to any awareness by the Redondos of the existence of any flaw in the vendor's title. It explained that the Redondos' conduct carried all the badges of propriety and regularity as they verified the regularity of the title to the property with the proper registry of deeds before buying it. Ravelo's title, even if tainted with fraud, may be the source of a completely legal and valid title in the hands of an innocent purchaser for value.

The Petition and the Parties' Positions

The petitioner comes to this Court in the present petition to assail the Court of Appeals decision and submits the following assigned errors:

I.

the Court of appeals erred on a question of law in reversing the decision of the trial court[,],canceling the titles of respondents and reverting [the] subject land to the mass of public domain[,],on the ground that a fraudulent title may NOT be the basis of a valid title.

II.

the court of appeals erred on a question of law in declaring that RespondentS Redondo spouses are innocent purchasers in good faith and for value of the property.^[7]

The petitioner argues that the innocent purchaser for value doctrine is inapplicable because the mother title was procured through fraud. Specifically, Ravelo's title could not have been the source of valid titles for Chieng and the Redondos because it was void in the first place. Ravelo's failure to disclose in her patent application that Victoriano Mortera, Jr. was in possession of the subject lot constituted fraud and misrepresentation -- grounds for the annulment of her title. If a public land is acquired by an applicant through fraud and misrepresentation, the State may institute reversion proceedings even after the lapse of one year.

The petitioner likewise contends that the Redondos as vendees cannot rely solely on the face of the title as they did not transact directly with the registered owner; they transacted with Chieng whose right to the property was based on a certificate of sale. Thus, the Redondos merely relied on the certificate of sale instead of examining the title covering the subject lot. To be deemed a buyer in good faith and for value, the vendee must at least see the registered owner's duplicate copy of the title and must have relied on it in examining the factual circumstances and in determining if there is any flaw in the title. Petitioner finally notes that *lis pendens* was already annotated on the title at the time the deed of sale was registered.

The respondent Redondos spouses counter they are not obliged by law to go beyond the certificate of registration to determine the condition of the property. Any alleged irregularity in the issuance of Ravelo's OCT No. P-4517 cannot affect them since a patent issued administratively has the force and effect of a Torrens Title under Act No. 496 (the Land Registration Act) and partakes of the nature of a certificate of title issued in judicial proceedings. At the time they purchased the property from Chieng with the execution of their Agreement dated May 11, 1993, there was no encumbrance on OCT No. P-4517 except the notice of levy and certificate of sale in favor of Chieng. They had full notice of the physical condition of the land, and no adverse claim of ownership or possession existed when they inspected the records of the Register of Deeds and of the City Assessor. Since their residence adjoins the subject lot, they could attest that no one used the subject lot and no improvement has been introduced showing that there was adverse possession by any party.^[8]

Respondent Ravelo failed to file a comment.

Two issues are effectively submitted to us for resolution, namely:

1. **Whether there is basis for the cancellation of Ravelo's original title and the reversion of the subject lot to the public domain; and**
2. **Whether the Redondos are innocent purchasers in good faith and for value, whose title over the subject lot that could defeat the petitioner's cause of action for cancellation of title and reversion.**

The Court's Ruling

We find the petition meritorious.

The Reversion Issue: Misrepresentation in the Application

Under **Section 91 of CA No. 141**, the *"statements made in application shall be considered essential conditions and parts of any concession, title or permit issued on the basis of such application, and any false statement therein or omission of facts altering or changing or modifying the consideration of the facts set forth in such statements . . . shall ipso facto produce the cancellation of the concession, title, or permit granted."* This provision is reinforced by jurisprudential rulings that stress in no uncertain terms the consequences of any fraud or

misrepresentation committed in the course of applying for a land patent.^[9]

The record shows that Ravelo, the grantee, limited herself in her Answer to the position that the application passed through the regular process; that she had been in possession of the property from the time of her application; and that Mortera was never in possession of the land. Thereafter, Ravelo failed to attend trial and present evidence so that the lower court received the government's evidence *ex-parte*. The Redondos, who intervened after title to the property passed on to them, did not touch at all the misrepresentation aspect of the complaint on the theory that, as purchasers in good faith, the misrepresentation of Ravelo cannot affect their title.^[10] Thus, the presence of fraud or misrepresentation was practically an issue that the Ravelo and the Redondos conceded to the government.

This legal situation, notwithstanding, the Court of Appeals practically disregarded the misrepresentation issue and followed the Redondos' argument that the flaw in Ravelo's title is immaterial because they were purchasers in good faith of a titled property. This reasoning brings to the fore the issues of good faith and of the annotations in the original certificate of title including the notice of *lis pendens* that was registered on March 24, 1994.

The Good Faith Issue

The Court of Appeals approached the issue of good faith based mainly on its view that there had been a perfected sale prior to the annotation of the notice of *lis pendens*. To the appellate court, the Redondos purchased the subject lot prior to the annotation of the notice of *lis pendens* by the petitioner, and were thus without knowledge or notice of any flaw in the title. To quote the appellate court:

Wilson Chieng and the intervenors entered into said agreement prior to the annotation of the notice of *lis pendens* on March 24, 1994. The consensual contract of sale was, therefore, perfected on May 11, 1993, prior to any awareness on the part of the intervenors as the existence of any flaw in the vendor's title. Said agreement has been duly notarized. There was a meeting of the minds between Wilson Chieng and spouses Redondo; there is a determinate subject which is the land covered by OCT P-4517 and a price certain in the sum of P85,000.00 which intervenors agreed to pay Wilson Chieng. Intervenors are, thus, buyers in good faith and for value under the contemplation of our laws. No evidence was presented by the other parties to refute said fact. Neither was there any evidence introduced to assail the genuineness and due execution of the agreement. It is a public instrument which enjoys the presumption of regularity.

We find this approach to be simplistic as it disregards, among others, the nature of a sale of registered real property, as well as other material and undisputed developments in the case. For example, while the appellate court was correct in its general statement about the perfection of a contract of sale, it did not take into account that the subject matter of the sale was a **registered land** to which special rules apply in addition to the general rules on sales under the Civil Code. Section 51 of Presidential Decree No. 1529 which governs conveyances of registered lands provides: