

THIRD DIVISION

[G.R. NO. 133110, March 28, 2007]

**BARSTOWE PHILIPPINES CORPORATION, PETITIONER, VS.
REPUBLIC OF THE PHILIPPINES, RESPONDENT.**

D E C I S I O N

CHICO-NAZARIO, J.:

Before this Court is a Petition for Review on *Certiorari*^[1] under Rule 45 of the Rules of Court seeking the reversal and setting aside the Decision,^[2] dated 8 August 1997, and Resolution,^[3] dated 18 March 1998, of the Court of Appeals in CA-G.R. CV No. 47522, which in turn, reversed and set aside the Decision,^[4] dated 22 December 1992, of the Quezon City Regional Trial Court (RTC), Branch 80 in Civil Case No. Q-92-11806.

Antecedent Facts

This case involves the conflicting titles to the same parcels of land (subject lots) of petitioner Barstowe Philippines Corporation (BPC) and the respondent Republic of the Philippines (Republic). The subject lots have a total area of 111,447 square meters, and are situated along the northeastern perimeter boundary of the National Government Center in Payatas, Quezon City.

BPC traces its titles to the subject lots back to Servando Accibal (Servando) who was supposedly issued on 24 July 1974, at 3:20 p.m., Transfer Certificates of Title (TCTs) No. **200629** and **200630** over the subject lots. TCTs No. 200629 and 200630 were purportedly signed by Nestor N. Pena, Deputy Register of Deeds of Quezon City. On 10 June 1988, Servando executed a Deed of Absolute Sale of the subject lots to his son Antonio Accibal (Antonio), with the concurrence of his other heirs. Despite his prior sale of the subject lots to Antonio, Servando, by virtue of a Deed of Conveyance, dated 8 February 1989, transferred/conveyed the subject lots to BPC in exchange for subscription of 51% of the capital stock of BPC, such subscription supposedly amounting to P6,000,000.00.^[5] About a year after the death of Servando on 3 October 1989, particularly on 10 October 1990, Antonio executed another Deed of Conveyance of the subject lots in favor of BPC in exchange for subscription of 2,450 shares of its capital stock, with an alleged total value of P49,000,000.00.^[6] Due to the fire that gutted the Office of the Quezon City Register of Deeds on 11 June 1988 and destroyed many certificates of title kept therein, Antonio sought the administrative reconstitution of the original copies and owner's duplicate copies of TCTs No. 200629 and 200630 with the Land Registration Authority (LRA). On 12 December 1990, the LRA issued TCTs No. **RT-23687** and **RT-23688** (reconstituting TCTs No. 200629 and 200630, respectively), which were transmitted to the Quezon City Register of Deeds and signed by Deputy Register of Deeds Edgardo Castro on 19 February 1991. Also on 19 February 1991, TCTs No.

RT-23687 and RT-23688 were cancelled and in lieu thereof, TCTs No. **30829**, **30830**, **30831**, and **30832** in the name of BPC were issued. BPC then acquired from the Housing and Land Use Regulatory Board (HLURB) a permit to develop the subject lots into a residential subdivision. Subsequently, BPC entered into Joint Venture Agreements with other corporations for the development of the subject lots into a subdivision called Parthenon Hills.

Meanwhile, according to the Republic, prior to 14 November 1979, the subject lots were owned by First Philippine Holdings Corporation (FPHC). As evidence of its title to the subject lots, FPHC was issued TCT No. **257672**, on an undetermined date, and TCT No. **275201**, on 20 January 1981. Pursuant to a Deed of Sale, dated 14 November 1979, FPHC sold one of the subject lots, covered by TCT No. 257672, to the Republic for P2,757,360.00. Thus, on 22 January 1981, TCT No. 257672 was cancelled and TCT No. **275443** was issued in place thereof in the name of the Republic. FPHC executed another Deed of Sale on 25 March 1982 in which it sold the remainder of the subject lots, covered by TCT No. 275201, to the Republic for P9,575,920.00. On 31 May 1982, TCT No. 275201 was cancelled and was replaced by TCT No. 288417 issued in the name of the Republic. Because of the 11 June 1988 fire which razed the Quezon City Office of the Register of Deeds and destroyed the original copies of TCTs No. 275443 and **288417**, the Republic applied for administrative reconstitution of the same with the LRA. It was then that the Republic came to know that another party had applied for reconstitution of TCTs No. 200629 and 200630 which also covered the subject lots. This prompted the Republic to file before the RTC on 26 March 1992 a petition for cancellation of title against Antonio, Servando, and BPC, docketed as Civil Case No. Q-92-11806.

Civil Case No. Q-92-11806

Counsel for Antonio and the late Servando filed two successive Motions for extension of time to file the proper pleading, dated 17 June 1992 and 1 July 1992, but despite the grant thereof by the RTC,^[7] no such responsive pleading on behalf of Antonio and the late Servando was ever filed. Hence, on 31 July 1992, the RTC issued an Order^[8] declaring Antonio and the late Servando in default.

In another Order,^[9] also dated 31 July 1992, the RTC, upon the motion of BPC, allowed the latter to continue with the development of the subject lots. It concluded that -

Considering the plight of [BPC] and the possible irreparable damage that may be caused against the residents in the surrounding developed subdivision, even as said corporation is possessed of a good title, the court in the exercise of its discretion grants the motion. More importantly, consideration of equity demands that the titled owner [BPC] herein must be able to exercise all its dominical right blossoming [*sic*] forth from its ownership of the land in suit.

WHEREFORE, under cool reflection and prescinding from the foregoing, the motion is hereby granted. [BPC] is hereby permitted and allowed to continue with the improvement and development of the controverted property into a residential subdivision.^[10]

On 12 October 1992, the Republic filed with the Quezon City Register of Deeds a Notice of *Lis Pendens* requesting the recording of the pendency of Civil Case No. Q-92-11806 on TCTs No. 30830, 30831, and 30832, all in the name of BPC.

While Civil Case No. Q-92-11806 was still pending before the RTC, there were two intervenors.

Gloria Accibal Rettoriano (Gloria) filed with the RTC a Motion for Intervention, with a Complaint in Intervention, both dated 1 September 1992. Gloria alleged that she was the only child of Basilia Accibal, Servando's sister; the subject lots were inherited by Basilia, Servando, and their other siblings from their parents Martin and Mauricia Accibal; upon her mother's death, Gloria inherited and came into possession of a portion of the subject lots with an area of about 2.5 hectares; Gloria had been possessing, cultivating and improving her portion of the subject lots for the last 30 years; Servando, through fraudulent means, was able to secure TCTs over all the subject lots, including Gloria's portion therein; the inclusion of Gloria's portion in the TCTs of Servando and, later, in those of BPC, was done through fraud and gross bad faith; and unless the TCTs of Servando and BPC are declared null and void, Gloria will be deprived of her property without due process and just compensation. BPC opposed Gloria's intervention in Civil Case No. Q-92-11806 considering that she had already instituted Civil Case No. Q-91-10933 before the RTC, Quezon City, Branch 76, seeking the annulment of TCTs No. 30830, 30831, and 30832 of BPC based on the very same grounds she raised in her present Complaint in Intervention; on 11 February 1992, Gloria entered into a Compromise Agreement with BPC in which she waived and renounced any and all claims whatsoever which she may have over the titles of BPC in consideration of the payment by the latter of P2,000,000.00; the RTC, Branch 76, after finding that the said Compromise Agreement was not contrary to law, morals, good customs, public order or public policy, approved the same, thus putting an end to Civil Case No. Q-91-10933;^[11] Gloria's cause of action to intervene in Civil Case No. Q-92-11806 was already barred by prior judgment in Civil Case No. Q-91-10933 and Gloria's Complaint in Intervention is tantamount to a collateral attack against a TCT. In rejecting Gloria's intervention in Civil Case No. Q-92-11806, the RTC found as follows -

The motion for intervention must be denied and the complaint in intervention therein attached must be rejected.

For one thing, herein movant Gloria Accibal Rettoriano, was the plaintiff in the first case (RTC Br. 76 No. Q-91-10933) and with "eyes wide open" she entered into a compromise agreement with [BPC], which was the basis of the 26 February 1992 decision rendered therein and it being based on a compromise agreement, said decision became immediately final and executory.

Whether or not the decision rendered in the first case was satisfied is of no moment in the present case, as herein movant intervenor has all the remedies to protect her rights therein.

For another, movant intervenor Gloria Accibal Rettoriano, from her complaint in intervention would ask for the cancellation of the titles issued to their [*sic*] relative Servando Accibal and those titles duly issued and registered in the name of [BPC]. Certainly, this can not be done, as it

constitutes a collateral attack on the questioned titles which the law and settled jurisprudence do not allow. Perforce, a separate action against the questioned titles is the remedy available for intervenor Gloria A. Retoriano [*sic*].

Accordingly, the Court finds the opposition of [BPC] to be impressed with merit and the motion for intervention does not inspire confidence.

WHEREFORE, the subject motion for intervention is denied and the complaint in intervention attached thereto must be rejected.^[12]

Another intervenor in Civil Case No. Q-92-11806 was EL-VI Realty and Development Corporation (ERDC) which filed with the RTC a Motion for Leave to Intervene, dated 1 September 1992. Subsequently, it filed an Answer in Intervention, dated 15 September 1992, in which, it alleged that it acquired interest in the subject lots after having entered into a Joint Venture Agreement dated 16 January 1992, with BPC, for the development of the subject lots into a residential subdivision; the action initiated by the Republic for the cancellation of the TCTs of BPC was already barred by laches and estoppel because of the recognition accorded upon the said TCTs by the instrumentalities of the Republic, particularly the Register of Deeds and the HLURB, on which the ERDC relied in all good faith when it entered into the Joint Venture Agreement with BPC; the Republic is liable to ERDC for moral damages and attorney's fees; should the RTC find the TCTs of BPC infirm, rendering the Joint Venture Agreement between ERDC and BPC of no force and effect, then BPC should be held liable to ERDC, being an innocent third party, for reimbursement of all expenses incurred by the latter in the development of the subject lots; and should the RTC find that the TCTs of BPC are spurious, then it should be declared in bad faith when it entered into the Joint Venture Agreement with ERDC, for which it should be liable for exemplary damages and attorney's fees. In an Order,^[13] dated 27 October 1992, the RTC granted ERDC's Motion to Intervene and admitted its Answer in Intervention.

After all the parties had submitted their respective Pre-Trial Briefs,^[14] and upon motion by the BPC,^[15] the RTC decided the case on 22 December 1992 on summary judgment.^[16] Although it found both the Republic and the BPC as buyers in good faith, it held that the titles of BPC should prevail. It ratiocinated thus -

3. To the third issue, we rule that the title of [BPC] must prevail over that of the [Republic].

There is no dispute that the titles of the First Philippine Holdings Corporation, predecessor-in-interest of [Republic] were either issued in the year 1979 and 1981 (Exh. "A" and "B"). On the other hand, there is likewise no dispute that the titles of defaulted defendant Servando Accibal, and predecessor-in-interest of [BPC], were both issued and registered much earlier on July 24, 1974 (Exhs. "F" and "G", pp. 210-213, record) and/or a difference of 5 or 6 years in point of time.

MORE, Servando Accibal, the predecessor-in-interest of [BPC] has been in the actual and peaceful physical possession of the lots in suit before he sold them to [BPC] on February 08, 1991. Upon registration of the same

on February 19, 1991, [BPC], after having subdivided the land into four (4) smaller lots was issued on 19 February TCT Nos. 30829, 30830, 30831, and 30832 (Exhs. 1, 2, 3 and 4).

It is true [Republic] acquired the land in suit on November 14, 1979 and for which TCT Nos. 275443 and 288417 were issued in the years 1979 and 1981, but [Republic] never took assertive steps to take actual possession of the land sold to it by the First Philippine Holdings Corporation. It is even of grave doubt that the latter took actual possession of the land before the land in suit was sold to the [Republic]. So much so, that the area had been occupied by several squatters, one of them is Servando Accibal who by the way, was able to have the land in suit titled in his name as early as July 24, 1974, under TCT Nos. 200629 and 200630 of the land records of Quezon City. Further, [Republic] and its predecessor-in-interest were not able to discover the overlapping of their titles by the titles of Servando Accibal for a period of eighteen (18) long years starting from July 24, 1974 to about June 10, 1992 when the LRA during a reconstitution of the titles of [Republic] was initiated, as evidenced by a report of reconstituting officer Benjamin A. Flestado of that office (Exh. "H", pp. 214-258, record).

Simply stated, [Republic] may be guilty of LACHES.

x x x x

Perforce, the claim of [Republic] which was probably originally VALID became a STALE claim as the years went by. Verily, the titles of [Republic] must be cancelled and the titles of [BPC] must be upheld and declared as good and valid titles and [BPC] is entitled to all the rights blossoming [*sic*] fourth from its dominical right of ownership.

More importantly, the predecessor-in-interest of [BPC] had been long in the actual and physical possession of the lands in suit, while that of the predecessor-in-interest of [Republic] was not in the actual possession of the land before the sale to [Republic]. On the other hand, [BPC] immediately after the sale in its favor took actual, physical and peaceful possession of the land in suit to the exclusion of all others. It has no knowledge, actual or constructive that said parcels of land were sold to the [Republic]. When it registered the sale, there was no inscription in the Land Registry that the same parcels of land were earlier sold to the [Republic]. Hence, there was and is - a continuing good faith on the part of [BPC]. (Article 1544, NCC; Cruz vs Cabana, 129 SCRA 656).

In the same Decision, the RTC found certain irregularities in TCTs No. 200629 and 200630 in the name of Servando and that the said TCTs should be cancelled, without prejudice to the rights and interests of BPC. The RTC discussed the matter in this wise -

We shall now dwell on the validity of the titles - TCT Nos. 200629 and 200630, issued in the name of Servando Accibal on July 24, 1974 by the Register of Deeds of Quezon City. The LRA report dated 10 June 1992 (Exh. H, pp. 214-258, record) is competent proof that indeed said titles