

## SECOND DIVISION

[ G.R. NO. 161861, March 11, 2005 ]

**SPS. WILLIAM AND JULIE LIM, SPS. EDGAR AND JUDY LIM, STEVENS C. LIM, EDWIN C. LIM, JOSEPH C. LIM, RAFAEL Y. CHUATOCO, TERESITA Y. CHUATOCO AND THE REGISTER OF DEEDS MANILA, PETITIONERS, VS. EDUARDO, JORGE, FELIPE AND FRANCISCO, ALL SURNAMED CHUATOCO, RESPONDENTS.**

### D E C I S I O N

**TINGA, J.:**

Petitioners assail the *Decision*<sup>[1]</sup> of the Court of Appeals, ordering herein petitioners Lim (Spouses Willim and Julie Lim, Spouses Edgar and Judy Lim, Stevens C. Lim, Edwin C. Lim and Joseph C. Lim) to reconvey to the extent of four-fifths (4/5) of the property in dispute to the respondents and directing all petitioners (the Lims, Rafael Y. Chuatoco and Tereista Y. Chuatoco) to pay to respondents moral damages in the amount of P100,000.00 and attorney's fees in the amount of P50,000.00.

As culled from the records, the factual antecedents which spawned the filing of the instant petition follow.

Spouses Jose Chuatoco and Leoncia Yap were the registered owners of a 365-square meter land with improvements located at Calle Veronica St., Binondo, Manila. On the property, the spouses established the Binondo Maternity Hospital and School of Midwifery, reserving the building's second floor as the family residence.

In November 1972, Jose died. His wife Leoncia and five sons—Eduardo, Jorge, Rafael, Felipe and Francisco (herein respondents) proceeded to execute a deed of adjudication and partition. On 20 January 1981, Transfer Certificate of Title (TCT) No. 13935 in the name of the spouses Jose and Leoncia was replaced by TCT No. 142406 in the names of Leoncia and their children. Soon thereafter, Leoncia died. Jorge then took over as sole administrator of the school until 1984 when he was joined in this task by Rafael's wife, Teresita.

Respondents alleged that their brother Rafael had in the meantime succeeded in obtaining title to the property in his own name by using a fictitious deed of sale dated 27 February 1979, purportedly executed by them and their deceased mother Leoncia in favor of Rafael. It would later be claimed by respondents that their signatures, as they appeared on the deed of sale, were forged. On 15 April 1982, TCT No. 142406 was cancelled and TCT No. 148821 was issued in the name of Rafael.

In 1986, respondent Jorge Chuatoco allegedly discovered that the title to the property had been transferred to Rafael's name and in order to protect his interest as well as those of his brothers who were then residing in the United States, he

convinced Rafael to surrender the certificate of title to him for safekeeping and Rafael agreed. However, on 8 May 1986, Rafael through his wife filed a petition for reconstitution of the owner's duplicate of TCT No. 148821, alleging therein that their owner's duplicate of the title had been lost.

After obtaining the reconstituted title, Rafael, acting through his wife and attorney-in-fact, Teresita, executed a *Deed of Absolute Sale* dated 6 June 1986 to petitioners Lim covering the disputed property for the sum of P600,000.00. The Lims subsequently caused the cancellation of TCT No. 148821 in the name of Rafael and TCT No. 169859 was issued in their names.

In 1991, after the Lims refused to heed the demands of respondents for the reconveyance of the property, a complaint was filed with the Regional Trial Court (RTC), Branch 22, of Manila. Respondents prayed for the declaration of nullity of the deed of sale<sup>[2]</sup> purportedly executed by them in favor of Rafael, as well as the deed of sale<sup>[3]</sup> executed by Rafael in favor of the Lims; the cancellation of TCT No. 169859 in the name of the Lims; and for the return of the property to them.

Traversing the complaint, the Lims in their *Answer with Compulsory Counterclaim*<sup>[4]</sup> averred that the property they purchased from Rafael had already been sold to the latter by Leoncia and respondents sometime in 1979, and that upon execution the deed of sale in favor of Rafael became the exclusive owner thereof. They alleged that respondents were fully aware of the sale of the property to them and some of respondents who lived in the premises voluntarily vacated the place right after the execution of the deed of sale in their favor. Citing respondents' failure to question the registration of the property in Rafael's name for quite a long period of time and the subsequent sale thereof to them, the Lims averred that at most, respondents' claim over the property should be deemed barred by laches and estoppel.

On the other hand, Rafael and Teresita filed their Answer<sup>[5]</sup> denying the material allegations of the complaint. They asseverated that the property had been sold to Rafael by Leoncia and respondents herein two years prior to Leoncia's death in 1981. They argued that respondents have no cause of action against them and assuming that they have, the cause of action is already barred by prescription.

Assessing the evidence before it, the RTC rendered its *Decision*<sup>[6]</sup> on 21 November 2000 dismissing the complaint. It declared that the deed of sale dated 27 February 1979 was void only with respect to the undivided shares of Eduardo, Jorge, and Felipe Chuatoco, whose signatures on the questioned deed were proven to be forged. However, the trial court ruled that since the property was already titled in the name of Rafael before it was sold to petitioners, the latter had the right to rely upon what appeared on the certificate of title otherwise the efficacy and conclusiveness of the Torrens Certificate of Title would be rendered illusory. The trial court also debunked respondents' contention that they had no knowledge of the sale of the property to the Lims in view of their admission that in 1989 they met with Jaime Lim, the father of petitioners, and asked the latter to return the property to them and in exchange, they would return the price paid by the Lims for the property.

The Court of Appeals in its now assailed *Decision*<sup>[7]</sup> reversed the trial court's decision. The appellate court found that the Lims were not buyers in good faith as

the evidence showed that in 1985 the Lims went to the United States to make an offer to buy the property to Eduardo, Francisco, and Rafael. This effort of the Lims to negotiate with the Chuatoco brothers was met with initial reluctance by Eduardo, the eldest of the siblings, and the latter then instructed Jaime Lim to make a formal offer for the property. The court also noted Jaime's testimony that he saw the title to the property in the name of Rafael only in 1986 when he started negotiating with Teresita but he should have realized that while the title of Rafael was issued in 1982, the Chuatocos were still treating the property under their collective ownership.

The appellate court disagreed with the trial court's conclusion that the Chuatocos were aware of the deed of sale in favor of Rafael in 1979 and did not do anything about it until after the property was sold to the Lims. It ruled that the conclusion failed to consider that Rafael had assured his brothers that he would hold the title in trust for them and downplayed the fact that the brothers never intended to relinquish their interest in the property. Thus, the appellate court ordered the Lims to reconvey the property to the respondents to the extent of four-fifths (4/5) thereof and to pay respondents moral damages and attorney's fees.

Petitioners raise the following errors allegedly committed by the appellate court:

I.

THE COURT OF APPEALS ERRED AS A MATTER OF LAW AND JURISPRUDENCE IN NOT HOLDING THAT THE LIMS ARE BUYERS IN GOOD FAITH AND FOR VALUE, HENCE THEY ARE PROTECTED BY LAW.

II.

THE COURT OF APPEALS ERRED IN MAKING THE LIMS SOLIDARILY LIABLE TO PAY RESPONDENTS MORAL DAMAGES AND ATTORNEY'S FEES.

[8]

Petitioners impute error on the Court of Appeals in holding that they were not buyers in good faith and for value. They argue that they were not required to go beyond the four corners of the certificate of title to ascertain its authenticity and regularity because there was nothing on it that would have put them on notice of any defect in their seller's title. Still, they saw it fit to go to the Register of Deeds to make further verification on the actual ownership of the property. They stressed that as innocent purchasers for value they were entitled to protection under the law.

Petitioners likewise pounce on respondents' delay in seeking legal redress despite the fact that they had knowledge of the transfer of the title in Rafael's name as early as 1981. They argued that respondents should be deemed estopped by laches from disputing their ownership of the property because they filed their action only in 1991.

Respondents, on the other hand, point out that the issue of whether petitioners were buyers in good faith is one of fact and not of law and the instant petition deserves to be dismissed. At any rate, they cite several facts and circumstances which should have put petitioners on guard and required them to make further inquiries regarding the ownership of the property.

Among others, they argue that the Lims had initially negotiated for the sale of the property with them but after failing to obtain a favorable response, the Lims instead saw an opportunity of acquiring the property by buying it directly from Rafael despite the Lims' actual knowledge that the property was owned by them in common. They claim that the Lims should have been put on guard by the fact that the property was titled solely in the name of Rafael, despite the fact that the annotations appearing on TCT No. 142406 indicated that all of Leoncia's sons are the beneficiaries of the property. They also note the alleged haste in the sale of the property to petitioners only one day after the order of reconstitution of Rafael's title was issued by the trial court, and the fact that title to the property was issued only two years after the date of the Deed of Sale.

Respondents also rebuff petitioners' contention that their action is barred by laches arguing that the moment they learned that Rafael sold the property, they lost no time and asked him to explain his side. The delay in filing the action, if any, was merely because Rafael had assured them that he was holding the title in trust for all his brothers and Rafael in fact surrendered the duplicate original of the certificate of title to Jorge. They add that since Rafael's reconstituted title was obtained by fraud, the same is void, and did not transmit valid and legal title to petitioners.

Both the RTC and the Court of Appeals concluded that forgery had attended the execution of the Deed of Sale, albeit in varying degrees. The Court is persuaded by the appellate court's conclusion that all of the signatures therein were forged, and not just that of Eduardo, Jorge, and Felipe. The RTC had declared that the forgeries of these three signatures had been established by the document examiner of the National Bureau of Investigation (NBI).<sup>[9]</sup> While the NBI expert had not formed an opinion on the genuineness of the signatures of Leoncia and Francisco, it was merely because the specimen signatures submitted to him were insufficient. However, the Court of Appeals correctly ruled that even in the absence of expert testimony, the falsity of the signatures of Leoncia and Francisco had been sufficiently established by Francisco's direct repudiation of his signature, as well as the denials by Eduardo and Jorge of their mother's signature.

While the testimony of a person, disavowing the genuineness of his signature may seem self-serving at first blush, such as that proffered by Francisco, it cannot be ignored that such person is in the best position to know whether or not the signature on the check was his, and averments he would have on the matter, if adjudged as truthful, deserve primacy in consideration.<sup>[10]</sup> On the other hand, the denials of Eduardo and Jorge of their mother's signature may be properly appreciated in evidence, as Section 50, Rule 130 allows the opinion of an ordinary witness to be received in evidence regarding a handwriting with which he has sufficient familiarity.<sup>[11]</sup> The appellate court committed no error in ruling that Eduardo would probably be the most reliable witness to testify on the handwriting of his mother because he had worked closely with and exchanged papers and communications with Leoncia on a regular basis, the latter being then the administrator of the properties left by Jose.

The fraudulent registration of the property in Rafael's name using the forged deed of sale is not sufficient to vest title to the entire property in him. Settled is the rule that a certificate is not conclusive evidence of title;<sup>[12]</sup> registration does not vest title, it is merely evidence of such title over a particular property.<sup>[13]</sup> Certificates of

title merely confirm or record title already existing and vested. They cannot be used to protect a usurper from the true owner, nor can they be used as a shield for the commission of fraud, nor to permit one to enrich himself at the expense of others.

[14] The Torrens system has never been recognized as a mode of acquiring ownership.[15]

However, it is a familiar doctrine that a forged or fraudulent document may become the root of a valid title,[16] if the property has already been transferred from the name of the owner to that of the forger. This doctrine serves to emphasize that a person who deals with registered property in good faith will acquire good title from a forger and be absolutely protected by a Torrens title. In the final analysis, the resolution of this case depends on whether the petitioners are purchasers in good faith.

In analyzing this question, the initial premise should be that the Lims had acted in good faith and therefore they are innocent purchasers for value. As previously held:

Guided by previous decisions of this Court, good faith consists in the possessor's belief that the person from whom he received the thing was the owner of the same and could convey his title. Good faith, while it is always to be presumed in the absence of proof to the contrary, requires a well founded belief that the person from whom title was received was himself the owner of the land, with the right to convey it. There is good faith where there is an honest intention to abstain from taking any unconscientious advantage from another. Otherwise stated, good faith is the opposite of fraud and it refers to the state of mind which is manifested by the acts of the individual concerned.[17]

Consistently, this Court has ruled that every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go beyond the certificate to determine the condition of the property. A person is charged with notice only of such burdens and claims as are annotated on the title.[18] Thus, 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 further than what the Torrens Title upon its face indicates in quest for any hidden defects or inchoate right that may subsequently defeat his right thereto.[19]

This presumption receives primacy in consideration, given the fact that the Court of Appeals and the RTC arrive at wholly disparate conclusions on this question of fact. The Court of Appeals disagreed with the RTC's conclusion that the Lims were innocent purchasers for value, based on circumstances which we now proceed to review. It is settled that this Court has to inquire into questions of fact if the courts below have conflicting findings.[20]

The Court of Appeals noted that in 1985:

[T]he Lims went to the United States on purpose to offer to buy the property from the Chuato brothers, Eduardo, Francisco and Rafael. The efforts of the Lims to negotiate with the brothers was met with initial reluctance by Eduardo, the eldest of the siblings, and then by his final