

## THIRD DIVISION

[ G.R. NO. 163994, December 16, 2005 ]

**EASTWORLD MOTOR INDUSTRIES CORPORATION, REPRESENTED BY ITS PRESIDENT, PETER TY, PETITIONER, VS. SKUNAC CORPORATION, REPRESENTED BY ITS ALLEGED PRESIDENT LARRY LIM; AND MIGUEL LIM, RESPONDENTS.**

### D E C I S I O N

**PANGANIBAN, J.:**

This Court has consistently held that a reconstituted certificate of title is void if the owner's duplicate certificate is not lost or destroyed, but is in the possession of another person. Nonetheless, a valid transfer can issue from the void reconstituted title if an innocent purchaser for value intervenes. A finding of "good faith" and "for value" requires a judicious evaluation of the facts of each case.

#### The Case

Before us is a Petition for Review<sup>[1]</sup> under Rule 45 of the Rules of Court, assailing the November 5, 2003 Decision<sup>[2]</sup> and the June 3, 2004 Resolution<sup>[3]</sup> of the Court of Appeals (CA) in CA-GR SP No. 72615. The challenged Decision disposed as follows:

"WHEREFORE, foregoing premises considered, the Petition is hereby **GRANTED**. Resultantly, the assailed order of x x x RTC, Branch 4, Manila in LRC Case 309 is declared **NULL** and **VOID** for having been issued without jurisdiction. The Register of Deeds of Manila is ordered to cancel the new owner's duplicate copies pursuant to the assailed order. The writ of injunction issued is hereby made permanent. x x x Miguel Lim is ordered to pay [respondent corporation] attorney's fees in the amount of P150,000.00 and to pay the costs.

"The Intervention of Eastworld is hereby ordered **DISMISSED**."<sup>[4]</sup>

The assailed Resolution denied petitioner's Motion for Reconsideration.

#### The Facts

The CA narrates the facts as follows:

"Sometime in February 2, 2001, x x x Miguel Lim, then presenting himself as [p]resident of [respondent] corporation filed with x x x [the] Regional Trial Court, Branch 4, Manila[,] a petition for the issuance of a new transfer certificate of title in lieu of the lost TCT No. 207104 pursuant to RA 26 as amended by P.D. 1425.

"As one of the jurisdictional requirements, [Miguel Lim] executed an

affidavit of loss and also attached a [photocopy] of the alleged title to the petition.

"On the basis of said proofs and compliance of other jurisdictional requirements[, the trial] court issued an order on March 7, 2001, setting the petition for ex-parte reception of evidence before LRA Clerk of Court Atty. Josefina L. Montañer. The reception of evidence was set on March 28, 2001, transcript of said proceedings [was] attached to [the] records.

"On May 22, 2001, [the trial] court issued an order directing the Register of Deeds of Manila to issue a new owner's duplicate of TCT No. 207104 in lieu of the lost one and to deliver the same to [Miguel Lim or his] authorized representative. A copy of said order was served upon a hand written request of [Miguel Lim] and on June 25, 2001 a certificate of finality was issued by the chief, clerks of court division of the Land Registration Authority.

"As a consequence, [a petition to annul order and injunction with prayer for a temporary restraining order was filed with the CA] with the lone issue raised, to wit:

#### 'ISSUE

WHETHER OR NOT THE ORDER RENDERED BY THE REGIONAL TRIAL COURT OF MANILA, BRANCH 4 IS NULL AND VOID FOR LACK OF JURISDICTION.'

"In support of its submission, [respondent corporation] advance[d] the following arguments:

#### 'DISCUSSION/ARGUMENTS

"In the above-mentioned Affidavit of Loss, x x x Miguel Lim falsely asserted that the owner's duplicate copy of TCT No. 207104 was lost.

"x x x Miguel Lim's above averment is a total lie, calculated to mislead the Regional Trial Court of Manila into issuing a new owner's duplicate copy of TCT No. 207104.

"The truth of the matter is that x x x Miguel Lim was fully cognizant that the owner's duplicate copy of TCT No. 207104 is in the custody and possession of Larry Lim, President of [respondent]-corporation.

"Miguel Lim was never in custody or possession of the said title.

"Clearly, the subject Order was issued on the basis of the false and fraudulent representation of x x x Miguel Lim, and is, therefore, null and void, and must be annulled and set aside."

"[Despite] due notice, [Miguel Lim] never filed any comment, much less a memorandum as required, [despite] the time extension granted him.

"On the other hand, [Petitioner] Eastworld Motor Industries Corporation, represented by its [c]hairman, Peter Ty filed a Motion to Intervene which [the Court of Appeals] granted in an Order dated January 14, 2003. Intervenor assert[ed] its ownership being a purchaser in good faith of such property. It submits that [respondent corporation] must bear the loss being responsible for the loss of title."<sup>[5]</sup>

### **Ruling of the Court of Appeals**

Because the owner's certificate of title was not lost but was in fact in the possession of the true owner, the reconstituted one was deemed void and its cancellation ordered by the CA.<sup>[6]</sup>

The appellate court further ruled that petitioner was not a purchaser in good faith and for value.<sup>[7]</sup> The latter should have been on guard, because the Affidavit of Loss was annotated at the back of the reconstituted title. Moreover, petitioner verified the identity of the seller of the property only after the sale had taken place.<sup>[8]</sup>

Hence, this Petition.<sup>[9]</sup>

### **The Issues**

Petitioner states the issues in this wise:

"Whether or not the Court of Appeals erred in declaring as null and void the reconstituted title more than one (1) year after the same was issued.

"Whether or not the mere fact that the TCT 207104 shown to petitioner is a reconstituted one overturn the fact that petitioner is a purchaser in good faith and for value.

"Whether or not the Court of Appeals erred in dismissing petitioner's intervention. The nullification of the new (reconstituted) owner's duplicate certificate issued by the RTC Branch 4, Manila in LRC Case No. 309 cannot prejudice petitioner's rights.

"Whether or not the Court of Appeals erred in failing to note that it is Larry Lim's negligent act of failing to update the corporation's SEC documents which made the sale of the subject lot possible."<sup>[10]</sup>

### **The Court's Ruling**

The Petition is partly meritorious.

#### **Main Issue:**

#### **Validity of the Reconstituted Title**

Being intertwined, the second and the third issues raised by petitioner will initially

be addressed by the Court. Also, a discussion of these issues will lead to a resolution of the first one.

At the outset, the Court observes that the applicable law in applying for a replacement of an owner's duplicate certificate of title is PD 1529. *New Durawood Company v. Court of Appeals*<sup>[11]</sup> clarified that RA No. 26 applies only in cases of reconstitution of lost *original* certificates on file with the Register of Deeds.<sup>[12]</sup> Respondent Miguel Lim procured the reconstituted title on the basis of RA No. 26.

At any rate, the procedure employed for the issuance of the reconstituted certificate of title has not been raised as an issue in the present case. The controversy relates primarily to petitioner's right as purchaser of the property covered by the replaced certificate.

### **Ownership Merely Evidenced by the Certificate of Title**

This Court has consistently held that when the owner's duplicate certificate of title has not been lost, but is in fact in the possession of another person, then the reconstituted certificate is void, because the court that rendered the decision had no jurisdiction.<sup>[13]</sup> Reconstitution can validly be made only in case of loss of the original certificate.<sup>[14]</sup> The rationale for this principle is summarized in *Strait Times v. Court of Appeals*,<sup>[15]</sup> from which we quote:

"The reconstitution of a title is simply the reissuance of a new duplicate *certificate* of title allegedly lost or destroyed in its original form and condition. It does not pass upon the *ownership* of the land covered by the lost or destroyed title. Possession of a lost certificate is not necessarily equivalent to ownership of the land covered by it. The certificate of title, by itself, does not vest ownership; it is merely an evidence of title over a particular property."<sup>[16]</sup>

Applying the above ruling to the instant case, the certificate of title procured by Miguel Lim was clearly void. Respondent corporation's presentation of the original owner's duplicate certificate of title showed to the court the physical existence, and the corporation's possession, of the certificate. The existence of the document is in fact unrebutted by petitioner.

### **Buyers in Good Faith**

Settled is the rule that no valid transfer certificate of title (TCT) can issue from a void TCT, unless an innocent purchaser for value had intervened.<sup>[17]</sup> An innocent purchaser for value is one who buys the property of another, without notice that some other person has a right to or interest in the property, for which a full and fair price is paid by the buyer at the time of the purchase or before receipt of any notice of the claims or interest of some other person in the property.<sup>[18]</sup> The protection given to innocent purchasers for value is necessary to uphold a certificate of title's efficacy and conclusiveness, which the Torrens system ensures.<sup>[19]</sup>

In the last analysis, good faith, or the lack of it, is a question of intention. But in ascertaining the intention that impels one on a given occasion, the courts are