

## THIRD DIVISION

[ G.R. NO. 157701, December 09, 2005 ]

**SPOUSES DANILO AND ALBERTA DOMINGO, AND EDUARDO QUITES, PETITIONERS, VS. GUILLERMO REED, RESPONDENT.**

### DECISION

**PANGANIBAN, J.:**

When dealing with registered land, prospective buyers are normally not required by law to inquire further than what appears on the face of the Torrens certificate of title on file with the Register of Deeds. Equally settled is the principle, however, that purchasers cannot close their eyes to known facts that should put a reasonable person on guard; they cannot subsequently claim to have acted in good faith, in the belief that there was no defect in the vendor's certificate of title. Their mere refusal to face up to that possibility will not make them innocent purchasers for value, if it later becomes apparent that the title was indeed defective, and that they would have discovered the fact, had they acted with the measure of precaution required of a prudent person in a like situation.

#### The Case

Before us is a Petition for Review<sup>[1]</sup> on Certiorari under Rule 45 of the Rules of Court, seeking to reverse the August 27, 2002 Decision<sup>[2]</sup> and the March 20, 2003 Resolution<sup>[3]</sup> of the Court of Appeals (CA) in CA-GR CV No. 59544. The dispositive part of the Decision reads as follows:

**"WHEREFORE, the decision appealed from is *REVERSED* and *SET ASIDE*.**

"The deeds of sale executed by Lolita Reed in favor of [herein Petitioner-]spouses Danilo Domingo and Alberta Domingo and Eduardo Quiteves over portions of the subject property covered by TCT No. 58195 registered in the name of Lolita R. Reed, married to Guillermo Reed, are declared ***NULL*** and ***VOID***.

"The Register of Deeds of Pasig City is ordered to cancel TCT Nos. 84565 and 84567 issued in the names of [Petitioners] Eduardo Quiteves and spouses Danilo Domingo and Alberta Domingo, respectively, covering the portions of the subject property sold to them by Lolita Reed, and to reinstate TCT No. 58195 in the name of Lolita Reed, married to Guillermo Reed, insofar as the same covers the portions of the subject property sold to said [petitioners]."<sup>[4]</sup>

The assailed Resolution denied petitioners' Motion for Reconsideration.

## **The Facts**

The facts were summarized by the CA as follows:

"[Respondent] Guillermo Reed was an overseas contract worker from 1978 to 1986 and came home only for short vacations. He purchased from the Government Service Insurance System [GSIS] on installment basis a 166 square meter property located at MRR Road, Mangahan, Pasig. Because he was working abroad, it was his wife, Lolita Reed, who paid the consideration to the GSIS. On July 9, 1986, TCT No. 58195 covering said property was issued by the Registry of Deeds for the Province of Rizal, Metro Manila – District II in the name of Lolita Reed, married to Guillermo Reed. Guillermo Reed had allowed his brother, Dominador, and the latter's wife, Luz, to stay in the house constructed on his property.

"In December, 1991, Dominador and Luz Reed were summoned to the barangay in connection with the complaint for ejectment filed against them by Eduardo Quiteves, who claimed to be the owner of the lot where their house stands. Dominador and Luz informed Guillermo of the complaint filed against them. Guillermo accompanied Dominador and Luz to the barangay, where they met Eduardo Quiteves and Alberta Domingo, who both claimed ownership of the subject property. Guillermo denied having sold his property.

"In view of the claims of Eduardo Quiteves and Alberta Domingo that they bought the subject property, Guillermo Reed made a verification with the Register of Deeds of Pasig. Guillermo discovered that his title over the subject property had been cancelled and he was able to secure copies of the following documents, to wit:

"1. Special Power of Attorney, dated July 8, 1986, allegedly executed by him authorizing his wife, Lolita Reed, to sell the subject property or a portion thereof;

"2. Deed of Sale of a Portion of Residential Land, dated July 14, 1986, executed by Lolita Reed in favor of Danilo Domingo, married to Alberta Q. Domingo covering 41.50 square meter portion of subject property;

"3. Absolute Deed of Sale of a Portion of Residential Land, dated July 22, 1987, executed by Lolita Reed, as vendor and attorney-in-fact of Guillermo Reed, in favor of Natividad R. Villanera, married to Ardaniel Villanera, covering 41.50 square meter portion of subject property;

"4. Deed of Sale of a Portion of a Residential Land, dated January 10, 1989, executed by Lolita Reed, for herself and as attorney-in-fact, in favor of Eduardo Quiteves covering 86 square meter portion of subject property;

"5. TCT No. 84565 in the name of Eduardo Quiteves;

"6. TCT No. 84566 in the name of spouses Ardaniel and Natividad

Villanera; and

"7. TCT No. 84567 in the name of spouses Danilo and Alberta Domingo.

"On March 8, 1994, Guillermo Reed filed a complaint for reconveyance of property against Lolita Reed, spouses Ardaniel and Natividad Villanera, spouses Danilo and Alberta Domingo, Eduardo Quiteves and the Register of Deeds of Pasig, Metro Manila alleging that his wife, Lolita Reed, from whom he had been estranged, conspiring with the other [petitioners], except the Register of Deeds of Pasig, caused the preparation of a special power of attorney, dated July 8, 1986, wherein it was made to appear that he authorized his wife to sell the subject property; that he did not sign the special power of attorney nor appear before the notary public because he was working abroad; that the special power of attorney was not submitted to the Regional Trial Court [(RTC)] in Pasig City by Notary Public Macario C. Cruz, as stated in the letter dated April 1, 1993 of Clerk of Court Grace S. Belvis; and that spouses Villanera and Domingo and Eduardo Quiteves are purchasers in bad faith because they knew, at the time they transacted with Lolita Reed, that he was working abroad and estranged from the latter.

"An [A]nswer to the complaint was filed by [Petitioners] Eduardo Quiteves and spouses Danilo and Alberta Domingo alleging that the sale of the subject property to them by Lolita Reed was valid inasmuch as Guillermo Reed gave his written consent thereto, as shown in a letter dated July 26, 1986; that in a proceeding before the [b]arangay [c]hairman, Guillermo Reed admitted that he personally signed the special power of attorney; that they have the right to rely on the presumption of regularity of the notarized special power of attorney; and that they are buyers in good faith and for value.

"Per Sheriff's Return, Lolita Reed was not served with summons as she is no longer residing at the given address while spouses Ardaniel and Natividad Villanera were served with summons through Mrs. Alberta Domingo.

"After trial on the merits, the court a quo rendered judgment, the dispositive portion of which reads:

"WHEREFORE, in view of the foregoing, the Court hereby renders judgment in favor of x x x Sps. Ardaniel & Natividad Villanera, Sps. Alberto (sic) & Dominga (sic) Domingo, Eduardo Quiteves and the Register of Deeds of Pasig, Metro Manila, and against [respondent] Guillermo Reed and orders the DISMISSAL of the present case for lack of merit.

'No pronouncement as to cost.'"<sup>[5]</sup>

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

The Court of Appeals reversed the trial court. *First*, it should be clear that the CA ruling concerned two transactions entered into by Petitioner-Intervenor Lolita Reed.

The first transaction involved the sale she executed in favor of Spouses Danilo and Alberta Domingo. To them she sold a portion of the subject property covered by TCT No. 58195; it measured 41.5 square meters and was located at the southwest section. The second sale was effected by the same vendor, this time in favor of Eduardo Quiteves; it covered 86 square meters at the northern portion of the same property. Because of these transactions, the vendees were able to have certificates of titles issued in their respective names.

A third sale was made in favor of Spouses Ardaniel and Natividad Villanera. The CA ruled, however, that they had not been validly served any summons. Consequently, the trial court did not acquire jurisdiction over their persons; hence, its Decision would not affect their rights.

*Second*, the CA held that the vendees were not purchasers for value in good faith. It found that Spouses Danilo and Alberta Domingo had entered into the Contract of Sale involving conjugal property without actually seeing any Special Power of Attorney (SPA) authorizing Lolita Reed to convey the property for and on behalf of the conjugal partnership. Also, the fact that the Deed of Sale executed by them did not even mention any SPA showing that Respondent Guillermo Reed had consented to the sale of the conjugal property rendered the transaction questionable.

As for Eduardo Quiteves, he was faulted by the CA for not having inquired into and investigated the authenticity and validity of the SPA shown to him by Lolita, evidencing her husband's alleged consent to the sale of their conjugal property. The appellate court opined that Quiteves should have been put on guard, since the acknowledgment portion of the document stated that only Lolita had appeared before the lawyer who had notarized it. Also, considering that it had been issued two years before the property was offered to Quiteves, he should have taken steps to verify the validity of the document and to find out the whereabouts of Guillermo, who had allegedly executed it.

*Finally*, the CA found that the SPA, from which Lolita had derived her authority to sell the property, was a forgery. The appellate court gave credence to the consistent denial of Guillermo that he had signed the document. It did not accept the Minutes<sup>[6]</sup> of the barangay meeting, containing his alleged admission that he had signed the SPA. Furthermore, the CA gave weight to the Certification<sup>[7]</sup> issued by the Office of the Clerk of Court of the Regional Trial Court (RTC) of Pasig that the alleged SPA notarized by Atty. Macario Cruz was not the same document submitted to that office.

Consequently, the CA declared the Deeds of Sale executed by Lolita in favor of Spouses Danilo and Alberta Domingo and Eduardo Quiteves null and void. It also ordered the cancellation of the Transfer Certificates of Titles (TCTs) issued in their favor; and the reinstatement of TCT No. 58195 in the name of Lolita Reed, married to Guillermo Reed, insofar as it covered the portions of the property sold to petitioners.

Hence, this Petition.<sup>[8]</sup>

### **The Issues**

Petitioners submit the following issues for this Court's resolution:

- "I. Whether the case for reconveyance filed by respondent against petitioners *sans* the trial court's acquisition of jurisdiction over the person of Lolita Reed, an indispensable party, can prosper.
- "II. Whether entrenched jurisprudence assigns the *onus probandi*, or burden of proof, showing forgery to the respondent after having asserted the same in his complaint.
- "III. Whether the case of *Voluntad vs. Dizon*, 313 SCRA 210-211 (26 August 1999), utilized as basis to find petitioners not purchasers in good faith can apply to the case at bench.
- "IV. Whether the case of *Veloso vs. Court of Appeals*, 260 SCRA 594-595 (21 August 1996) is apt to the case at bench.
- "V. Whether the established doctrine, i.e., trial courts are in a better position to determine questions involving credibility having heard the witnesses and having observed their deportment and manner of testifying during the trial, was applied by the Court of Appeals to the case.
- "VI. Whether the finding, assuming without admitting, that respondent's signature was falsified the right of petitioners, without any evidence as co-conspirators of Lolita Reed in the forgery and as purchasers in good faith over the subject properties, can be adversely affected."<sup>[9]</sup>

For her part, petitioner-intervenor submits the following:

- "I. Whether the conveyance of subject property in favor of Petitioners Danilo and Alberta Domingo and Eduardo Quiteves is valid considering that the same was executed by Petitioner-intervenor Lolita Reed and the proceeds arising therefrom were utilized to purchase things necessary for the support of family including education of petitioner-intervenor's and Guillermo Reed's common children pursuant to Article 161 of the Civil Code in relation to Article 115 of the same Code.
- "II. Whether Guillermo Reed can recover the one-half (1/2) share of the conjugal partnership despite that he had already donated the same to his and Lolita Reed's common children pursuant to Article 162 of the Civil Code."<sup>[10]</sup>

The long-winded issues presented by petitioners and petitioner-intervenor can be reduced to one procedural and three main questions. The three main issues to be resolved are as follows: 1) whether the Special Power of Attorney is authentic; 2) whether Lolita Reed's justification for selling the subject property is tenable; and 3) whether petitioners are buyers in good faith. As to the procedural matter, this Court will resolve whether jurisdiction over the person of Lolita has been acquired.

### **This Court's Ruling**