

THIRD DIVISION

[G.R. No. 146678, September 29, 2004]

**SPOUSES FELIPE R. ANGELES AND GREGORIA ANGELES,
PETITIONERS, VS. SPOUSES FERMIN TAN AND TERESITA TAN,
IRENEO TAN AND TERESA SO, MARIANO TAN AND CORAZON CO,
AND HON. GEORGE MACLI-ING, PRESIDING JUDGE, RTC,
BRANCH 100, QUEZON CITY, RESPONDENTS.**

D E C I S I O N

CARPIO MORALES, J.:

On petition for review on certiorari is the November 21, 2000 Decision of the Court of Appeals dismissing petitioners' appeal in CA-G.R. CV No. 47688, "*Spouses Felipe R. Angeles and Gregoria Angeles v. Spouses Fermin Tan and Teresita Tan, Ireneo Tan and Teresa So, Mariano Tan And Corazon Co, and Hon. George Macli-ing, Presiding Judge, Rtc, Branch 100, Quezon City.*"

Felipe Angeles, married to Gregoria Baetiong, was the registered owner of a parcel of land containing an area of 5,193 sq. m., covered by Transfer Certificate of Title (TCT) No. 36903.^[1]

In 1969, the Angeles spouses (petitioners) obtained a loan from Prudencio Reyes (Reyes) in the amount of ₱15,000.00 to secure which they mortgaged 3,272 sq. m. (disputed property) of their titled parcel of land, the remaining 1,921 sq. m. having been previously conveyed to the National Power Corporation.

By petitioners' claim, the mortgage was considered extended from year to year until 1978 when the loan was fully paid by them out of the proceeds of a ₱100,000.00 loan obtained from respondent Fermin Tan (Tan); that on account of their close friendship with Tan, they voluntarily delivered to him the owner's duplicate copy of TCT No. 36903 with the verbal agreement that it would be returned to them once the amount of ₱100,000.00 is fully paid; that together with Tan, they established a joint business venture at the disputed property, of which they (petitioners) were the industrial partners; and that Tan was to pay rentals for the use by the joint business venture of the disputed property in the amount of ₱3,000.00 a month.

Petitioners further claimed that in September 1985, as Tan had not paid any rentals from the time the business venture went into "full blast" in 1982, they took it that the accumulated rentals which he had failed to pay more than sufficed to settle their ₱100,000.00 loan to him. They thus suggested to Tan that it was time to liquidate their business.

Tan's counsel, however, sent them a letter informing that the disputed property had been acquired by him (Tan) from Reyes and was already in his name.

From Reyes' affidavit,^[2] purportedly executed by him in May 1986, Reyes claimed that petitioners had settled their obligation to him and that if the disputed property had been transferred to his name, he had no participation therein.

Alleging unwarranted and fraudulent acts on the part of Tan, petitioners filed on November 18, 1988 a complaint for reconveyance with damages against him, his wife Teresita, and his brothers Ireneo and Mariano and their respective wives (respondents) before the Regional Trial Court (RTC) of Quezon City where it was docketed as Civil Case No. Q-88-1195.

From their Answer with Special and Affirmative Defenses Justifying Dismissal with Counterclaim,^[3] respondents claimed that Reyes extrajudicially foreclosed the mortgage after petitioners failed to settle their loan, and that as petitioners failed to redeem the mortgage within the reglementary period, petitioners' TCT No. 36903 was cancelled after an Affidavit of Consolidation^[4] dated May 10, 1977 was executed by Reyes and his spouse Irene to whom were issued TCT No. 237668^[5] on August 18, 1977.

Respondents further claimed that on August 15, 1978, the disputed property was, by a Deed of Absolute Sale of Unsegregated Portion^[6] executed by Reyes and his wife, conveyed to them following which Reyes' title was cancelled and TCT No. 336042^[7] was issued in their name.

Respondents thus prayed for the dismissal of the complaint on, among other grounds, petitioners' lack of legal capacity to sue.

On account of Reyes' denial of having sold the disputed property to anyone, respondents proffered that he and his wife should, therefore, be the real parties in interest and not petitioner Felipe Angeles who was one of two witnesses to the Deed of Sale executed by Reyes in respondents' favor.

Respondents likewise proffered that the complaint should be dismissed for failure to state a no cause of action, their title having become indefeasible after one (1) year from its registration and, therefore, no longer subject to collateral attack.

At all events, respondents claimed that if ever there was fraud, it must have occurred during the extra-judicial foreclosure which led to the transfer of title from petitioners to the spouses Reyes.

By way of Counterclaim, respondents prayed for damages as well, attorney's fees and costs of suit.

Petitioners later filed a motion to withdraw complaint^[8] to enable them to implead "more important persons" as defendants. To the motion respondents filed an opposition,^[9] they praying that, in the alternative, they be allowed to present evidence on their counterclaim.

Branch 100 of the Quezon City RTC (the trial court), by Order^[10] of October 16, 1989, granted the motion to withdraw complaint without prejudice, but allowed the Counterclaim to remain pending for independent adjudication.

On October 24, 1989, petitioners filed another complaint containing basically the same allegations as those in the withdrawn complaint, this time impleading as defendants the Heirs of Reyes and the Register of Deeds of Quezon City. The complaint was docketed as Civil Case No. Q89-3838 and was raffled to Branch 104 of the Quezon City RTC.

On separate motions^[11] of petitioners and respondents, Civil Case No. 89-3838 was consolidated with Civil Case No. Q-88-1195.

By Order^[12] of May 20, 1993, the trial court dismissed petitioners' complaint as well as the counterclaim of respondents, the pertinent portions of which read *verbatim* as follows:

After a thorough perusal of the evidence both oral and documentary, which was submitted by the contending parties thru counsel in these consolidated cases namely: Civil Case No. Q-88-1195 and Civil case No. Q-89-3838, where the causes of action, and the reliefs being sought for, are almost similar, except the inclusion of the Reyeses in the latter case as party defendants. It appears that the private defendants heavily anchored their ownership over the property in litigation by virtue of a Deed of Absolute Sale dated August 15, 1978, containing 5,193 sq. meters, more or less, executed by and between the Spouses Prudencio Reyes and Irene Tongco, Vendors and Ireneo Tan, Fermin Tan and Mariano Tan as Vendees, where 3,272 sq. meters was sold to the Tan brothers and the remaining portion was sold to the NPC. That in view of said sale, T.C.T. No. 237668 owned by the Reyeses was cancelled, and because of a Deed of Partition, Exhibit "2" for defendants, said property containing an area of 5,193 sq. meters was divided under T.C.T. No.248589 in the name of NPC and Ireneo Tan.

The area of 1,921 sq. meters was allotted to NPC while 3,272 sq. meters was given to the Tan brothers. A separate title was issued to the Tan brothers, namely, T.C.T No. 336042 and the same was entered in the Register of Deeds of Quezon City on October 12, 1985 at 9:45 A.M. That after verification from the Office of the Register of Deeds of Quezon City, as to the genuineness and due execution of T.C.T. No. 237668 owned and registered in the names of Prudencio Reyes and Irene Tongco, private defendants who purchased the property in the amount of P87,770.80 after deducting the commission due to the plaintiff Felipe Angeles in the amount of P12,229.20. The plaintiff was one of the witnesses as shown in the document and confirmed by Atty. Amiana, the Notary Public. Private defendants claimed they bought the property from the Spouses Prudencio Reyes and Irene Tongco and not Felipe Angeles in good faith and for value, after which T.C.T No. 336042 was issued in their names in 1985. In time the title of the private defendants had already become indefeasible, and that it could no more be attacked collaterally. The plaintiffs on the other hand claim that the transaction which led to the acquisition of the property in litigation by the private defendants were all fraudulent as shown by the plaintiffs' Exhibits. Counsel for plaintiffs questioned the unprocedural notarization of the Deed of Absolute Sale executed by and between the Spouses Prudencio Reyes and Irene Tongco

as Vendors and Tan brothers, private defendants, as Vendees, where Felipe Angeles was a witness. Plaintiffs claim the signature of Felipe Angeles was forged and it even reached the NBI where said agency rendered a Report that the signature of Felipe Angeles in said document was fake, whereas in the report of the PNP Crime Laboratory the signature of Felipe Angeles was genuine. In the mind of the Court, granting one of the Agencies was in error, the signature of a witness whether genuine or otherwise, does not affect the validity of the document, as to its genuineness and due execution. Witnesses can be dispensed with if the contracting parties in a written contract or agreement. It appears that this property was formerly owned by the herein plaintiffs under T.C.T. No. 36903. The same was mortgaged to the Spouses Prudencio Reyes and Irene Tongco, and by virtue of an Affidavit of Consolidation executed by the Spouses Reyes, the period of redemption having expired, without any redemption having been made, T.C.T. No. 36903 in the name of plaintiffs was cancelled and T.C.T. No. 237668 was issued in the name of the spouses Prudencio Reyes and Irene Tongco. The spouses Prudencio Reyes and Irene Tongco sold said property to the defendant Tan brothers and the NPC, after which T.C.T. No. 237668 was cancelled and T.C.T. No. 248589 was issued in the names of the National Power Corporation and the defendants Tan. Again, by virtue of a Deed of Partition, executed by the Tan brothers and NPC, a separate title was issued to the defendants Tan for an area of 3,272 sq. meters under T.C.T. No. 336042. From these set of facts and circumstances, it appears that **the real parties in interest who should ask or pray for Reconveyance and Damages in Civil Case Nos. Q-88-1195 and Q-89-3838 should be the Spouses Reyes,** and not the plaintiffs, Spouses Angeles. Since a title was already issued by the Register of Deeds of Quezon City to the defendants Tan entered on October 12, 1985 (T.C.T. No. 336042), the documents presented to the Register of Deeds were all in order and said document is now indefeasible as against the whole world.

WHEREFORE, in view of the foregoing and finding that the causes of action, the reliefs sought for, together with the parties, are the same or are similar, except with the inclusion of Heirs of Prudencio Reyes, represented by Domingo Reyes in Civil Case No. Q-89-3838, and the complaint in Civil Case No. Q-88-195, and the complaint in Civil Case No. Q-88-1195 was withdrawn upon motion of the plaintiffs' counsel except the hearing on the defendants' counterclaim, this Court, taking into consideration the ruling in "Pino v. Court of Appeals, 198 SCRA 434," finds the defendants thru counsel to have duly proven his Special and/or Affirmative Defenses thru preponderance of evidence, hence, Civil Cases Nos. Q-88-195 and Q-89-3838, are hereby dismissed without pronouncement as to cost. In connection with the Counterclaim of defendants in these cases, this Court after a thorough appraisal and analysis of the facts and circumstances surrounding these cases, equity dictates that it would be like imposing a penalty on the part of any person to honestly litigate his or her rights and interest before a court of law, and judging from these cases, no harassment or malice aforethought with the deliberate intent to cast dishonor or social humiliation against