

FIRST DIVISION

[G.R. No. 114172, August 25, 2003]

JUANITA P. PINEDA, ASSISTED BY HER HUSBAND, CRISPIN PINEDA, AND LILIA SAYOC, PETITIONERS, VS. COURT OF APPEALS AND TERESITA A. GONZALES, ASSISTED BY HER HUSBAND, FRANCISCO G. GONZALES, RESPONDENTS.

D E C I S I O N

CARPIO, J.:

The Case

This petition for review on *certiorari*^[1] seeks to reverse the Decision^[2] of the Court of Appeals dated 26 August 1993 in CA-G.R. SP No. 28651 as well as the Resolution dated 4 March 1994 denying the motion for reconsideration. In its assailed decision, the Court of Appeals declared void the orders^[3] of the Regional Trial Court^[4] of Cavite City dated 10 January 1992, 5 February 1992 and 30 April 1992, and made the preliminary injunction permanent. In the first order, the trial court declared that Teresita A. Gonzales, despite notice, failed to appear at the hearing of the motion to surrender Transfer Certificate of Title No. T-16084 and to file opposition to the motion. In the second order, the trial court declared void the original and owner's duplicate of Transfer Certificate of Title No. T-16084 and ordered the reinstatement of Transfer Certificate of Title No. T-8361. In the third order, the trial court denied the motions to lift the first order and to reconsider the second order.

The Facts

On 4 January 1982, the Spouses Virgilio and Adorita Benitez ("Spouses Benitez") mortgaged a house and lot ("Property") covered by Transfer Certificate of Title No. T-8361 ("TCT 8361") in favor of Juanita P. Pineda ("Pineda") and Leila P. Sayoc ("Sayoc"). The real estate mortgage secured the Spouses Benitez's loan of P243,000 with a one-year maturity period.^[5] Pineda and Sayoc did not register the mortgage with the Register of Deeds. The Spouses Benitez delivered the owner's duplicate of TCT 8361 to Pineda.

On 9 November 1983, with the consent of Pineda, the Spouses Benitez sold the house,^[6] which was part of the Property, to Olivia G. Mojica ("Mojica"). On the same date, Mojica filed a petition for the issuance of a second owner's duplicate of TCT 8361 alleging that she "purchased a parcel of land"^[7] and the "owner's duplicate copy of TCT No. T-8361 was lost."^[8]

On 7 December 1983, the trial court granted the petition. The Register of Deeds of Cavite City issued the second owner's duplicate of TCT 8361 in the name of the Spouses Benitez.

On 12 December 1983, the Spouses Benitez sold the lot^[9] covered by TCT 8361 to Mojica. With the registration of the deed of sale and presentation of the second owner's duplicate of TCT 8361, the Register of Deeds cancelled TCT 8361 and issued Transfer Certificate of Title No. T-13138 ("TCT 13138") in the name of Mojica.

On 22 February 1985, Mojica obtained a loan of P290,000 from Teresita A. Gonzales ("Gonzales"). Mojica executed a promissory note and a deed of mortgage over the Property in favor of Gonzales. Gonzales registered this deed of mortgage with the Register of Deeds of Cavite City who annotated the mortgage on TCT 13138 as Entry No. 33209.

Meanwhile, on 8 May 1985, Pineda and Sayoc filed a complaint before the Regional Trial Court^[10] of Cavite City, docketed as Civil Case No. 4654, against the Spouses Benitez and Mojica. The complaint prayed for the cancellation of the second owner's duplicate of TCT 8361 and the award of moral damages and attorney's fees.

In their answer, the Spouses Benitez admitted selling to Mojica the Property which was already subject to a previous mortgage in favor of Pineda and Sayoc. The Spouses Benitez claimed that under the *Acknowledgment of Indebtedness*,^[11] Mojica, with the conformity of Pineda and Sayoc, agreed to assume the balance of the mortgage debt of the Spouses Benitez to Pineda and Sayoc.

The Spouses Benitez denied any knowledge of Mojica's petition for the issuance of a second owner's duplicate of TCT 8361. The Spouses Benitez prayed for the dismissal of the complaint and the award of moral damages and attorney's fees. The Spouses Benitez also prayed that in case the court would render judgment in favor of Pineda and Sayoc, only Mojica should be held liable.

On the other hand, Mojica denied conspiring with the Spouses Benitez and committing fraud in filing the petition for the issuance of a second owner's duplicate of TCT 8361. Mojica stated that the Spouses Benitez sold to her the Property. Mojica claimed that upon the execution of the deed of sale, the Spouses Benitez delivered to her the owner's duplicate of TCT 8361. However, Mojica alleged that the owner's duplicate of TCT 8361 was lost.

Mojica also asserted that she verified with the Register of Deeds of Cavite City the provision in the deed of sale that the Property was free from all liens and encumbrances and found the same to be true. Mojica added that on learning of the Spouses Benitez's mortgage with Pineda and Sayoc, she signed the *Acknowledgment of Indebtedness*. Mojica contended that since Pineda, for herself and Sayoc, conformed to this agreement, Pineda and Sayoc had no personality to file the complaint. Mojica further alleged that Pineda and Sayoc were in estoppel from challenging the validity of the second owner's duplicate of TCT 8361 because Pineda and Sayoc, despite notice, failed to oppose the reconstitution of the title.

Mojica maintained that the Spouses Benitez are indispensable parties because TCT 8361 was in their name. Mojica also asserted that she did not breach the *Acknowledgment of Indebtedness* since she had paid the Spouses Benitez an amount more than their debt to Pineda and Sayoc. Mojica contended that had the Spouses Benitez paid the amount to Pineda and Sayoc, there would have been no

obligation to assume. Mojica prayed for the dismissal of the complaint and the award of moral and exemplary damages and attorney's fees.

During the pendency of the case, Pineda caused the annotation on 18 August 1986 of a notice of *lis pendens* on the original of TCT 8361 with the Register of Deeds.

After trial, the trial court rendered a Decision dated 15 June 1987, the dispositive portion of which reads:

WHEREFORE, in view of the foregoing, the Court hereby renders judgment declaring the second owner's duplicate of TCT No. T-8361 of the land records of Cavite as null and void and the Register of Deeds of Cavite City is hereby ordered upon payment of the corresponding legal fees the annotation of this pronouncement in its record and the revival of the first owner's duplicate with the same faith and credit before its alleged loss. The counterclaim of defendants Benitez is hereby dismissed. No pronouncement as to costs.

SO ORDERED.^[12]

On 7 December 1987, Mojica defaulted in paying her obligation to Gonzales. Hence, Gonzales extrajudicially foreclosed the mortgage. On 27 January 1988, Gonzales purchased at public auction the Property for P423,244.88.

For failure of Mojica to redeem the Property, Gonzales consolidated the title to the Property. On 29 March 1989, Gonzales executed the corresponding Affidavit of Consolidation.

On 30 March 1989, the Register of Deeds of Cavite City cancelled TCT 13138, which was in Mojica's name, and issued Transfer Certificate of Title No. T-16084 ("TCT 16084") in the name of Gonzales. TCT 16084 contained Entry No. 35520, the notice of *lis pendens* dated 18 August 1986 in relation to Civil Case No. 4654.^[13] The Register of Deeds annotated on TCT 16084 the notice of *lis pendens*, even though TCT 13138 did not contain such annotation.

Meanwhile, dissatisfied with the trial court's decision, the Spouses Benitez and Mojica appealed to the Court of Appeals, docketed as CA-G.R. CV No. 15417. On 29 January 1991, the Court of Appeals rendered a Decision^[14] affirming the trial court's decision declaring void the second owner's duplicate of TCT 8361. The decision of the Court of Appeals became final and was entered in the Book of Entries of Judgments on 17 June 1991.

The Court of Appeals returned the records of the case to the trial court on 10 July 1991. On motion of Pineda and Sayoc, the trial court issued a writ of execution to enforce the judgment.

However, the writ of execution was returned unsatisfied. The Sheriff's Return of 12 September 1991 stated that the Register of Deeds could not implement the writ of execution. The Sheriff's Return showed that the Register of Deeds had already cancelled TCT 8361 and issued TCT 16084 in the name of Gonzales by virtue of the consolidation of title dated 29 March 1989.

Consequently, on 6 December 1991, Pineda and Sayoc filed a motion with the trial court for the issuance of an order requiring Gonzales to surrender the owner's duplicate of TCT 16084 to the Register of Deeds of Cavite City.

In its Order dated 10 January 1992 ("first order"), the trial court declared that Gonzales, despite notice, failed to appear at the hearing and to oppose the motion to surrender TCT 16084. In the same order, the trial court directed Gonzales to file a memorandum. Gonzales received this order on 20 January 1992.

Subsequently, Gonzales filed a motion to lift the first order alleging that since she was not a party in Civil Case No. 4654, the decision did not bind her. Gonzales also claimed that she did not receive notice of the hearing, copy of the motion to surrender TCT 16084 and the order resetting the hearing because she was in the United States of America. Gonzales finally alleged that she was an innocent purchaser for value.

In an Order dated 5 February 1992 ("second order"), the trial court declared void the original and the owner's duplicate of TCT 16084 in the name of Gonzales. The trial court ordered the reinstatement of TCT 8361 in the name of the Spouses Benitez.

Gonzales filed a motion for reconsideration of the second order. On 30 April 1992, the trial court issued an Order ("third order") denying Gonzales' motions to lift the first order and to reconsider the second order.

Aggrieved by the trial court's orders, Gonzales filed with the Court of Appeals a petition for the issuance of a writ of prohibitory injunction.

On 26 August 1993, the Court of Appeals rendered a decision disposing as follows:

WHEREFORE, the petition is granted. The assailed orders dated 10 January 1992, 5 February 1992, and 30 April 1992 are hereby declared NULL and VOID, and the preliminary prohibitory injunction is made permanent.

SO ORDERED.^[15]

Hence, the instant petition.

The Ruling of the Court of Appeals

In the Court of Appeals, Gonzales maintained that the trial court had no jurisdiction over her person and property because Pineda and Sayoc did not implead her as a party in Civil Case No. 4654. Insisting that the questioned orders were procured through extrinsic or collateral fraud, Gonzales claimed that the orders of the trial court were void. Gonzales further alleged that she was an innocent purchaser for value making her title to the Property indefeasible and imprescriptible.

Pineda and Sayoc, on the other hand, argued that the notice of *lis pendens* annotated on the title of the Property bound Gonzales, as subsequent purchaser of the Property, to the outcome of the case. Pineda and Sayoc contended that Gonzales was not a purchaser in good faith because Gonzales had constructive notice of the

pending litigation when she purchased the Property.

Moreover, Pineda and Sayoc argued that no separate action is necessary to cancel the title because Gonzales is bound by the outcome of the litigation. They contended that there was no extrinsic fraud because the notice of *lis pendens* warned Gonzales of the pendency of Civil Case No. 4654 where she could have intervened. Pineda and Sayoc further alleged that foreclosure and sale, not a mortgage, vest title on a mortgagee. Foreclosure and sale, however, are always subject to a notice of *lis pendens*.

In granting the petition, the Court of Appeals ruled that the trial court erred when it voided TCT 16084 upon a mere motion for the surrender of the owner's duplicate of TCT 16084. The Court of Appeals further held that the trial court erred in ordering the reinstatement of TCT 8361 in the name of the Spouses Benitez.

The Court of Appeals held that Pineda and Sayoc should have filed the petition to surrender TCT 16084 in the original case where the decree of registration of TCT 16084 was entered and not in Civil Case No. 4654. The second paragraph of Section 108 of Presidential Decree No. 1529^[16] ("PD 1529") requires the filing of such separate petition. The appellate court stated that it was beyond the trial court's authority to act on the matter on a mere motion to surrender TCT 16084.

The Court of Appeals likewise ruled that the trial court did not acquire jurisdiction over the person of Gonzales because she was not a party in Civil Case No. 4654. The appellate court found that Gonzales could not have known of, and appeared at, the hearing of the motion to surrender TCT 16084 because Gonzales was then out of the country.

Assuming that the trial court could validly act on the motion of Pineda and Sayoc, the Court of Appeals declared that the orders nevertheless contravened Section 107 of PD 1529. This provision of law requires a hearing before the court can act on a petition to surrender a duplicate certificate of title.

The Issues

Petitioners raise the following issues for resolution:

1. Whether a notice of *lis pendens* binds a subsequent purchaser of the property to the outcome of the pending case.
2. Whether TCT 13138 and TCT 16084, being derived from the void second owner's duplicate of TCT 8361, are also void.
3. Whether a separate action should be filed to cancel TCT 16084.
4. Whether Gonzales was an innocent purchaser for value.
5. Whether Gonzales was denied due process of law.

The Ruling of the Court

We deny the petition.