

## SECOND DIVISION

**[ G.R. No. 129977, February 01, 2001 ]**

**JOSELITO VILLEGAS AND DOMINGA VILLEGAS, PETITIONERS,  
VS. COURT OF APPEALS AND FORTUNE TOBACCO CORPORATION,  
RESPONDENTS.**

### DECISION

**QUISUMBING, J.:**

This petition assails the decision dated November 15, 1996<sup>[1]</sup> of the Court of Appeals and its resolution promulgated on July 29, 1997,<sup>[2]</sup> affirming the decision dated July 30, 1993<sup>[3]</sup> of the Regional Trial Court, Cauayan, Isabela, Branch 19.

The facts of the case, as found by the trial court and the Court of Appeals, are as follows:

Before September 6, 1973, Lot B-3-A, with an area of four (4) hectares situated at Dapdap, now San Fermin, Cauayan, Isabela was registered under TCT No. 68641 in the names of Ciriaco D. Andres and Henson Caigas. This land was also declared for real estate taxation under Tax Declaration No. C2-4442.

On September 6, 1973, Andres and Caigas, with the consent of their respective spouses, Anita Barrientos and Consolacion Tobias, sold the land to Fortune Tobacco Corporation (Fortune) for P60,000.00. Simultaneously, they executed a joint affidavit declaring that they had no tenants on said lot. An affidavit to the effect was a prerequisite for the registration of the sale under the LRC Circular No. 232. On the same date, the sale was registered in the Office of the Register of Deeds of Isabela. TCT No. 68641 was cancelled and TCT No. T-68737 was issued in Fortune's name.

On August 6, 1976, Andres and Caigas executed a Deed of Reconveyance of the same lot in favor of Filomena Domingo, the mother of Joselito Villegas, defendant in the case before the trial court. Although no title was mentioned in this deed, Domingo succeeded in registering this document in the Office of the Register of Deeds on August 6, 1976, causing the latter to issue TCT No. T-91864 in her name. It appears in this title that the same was a transfer from TCT No. T-68641. On April 13, 1981, Domingo declared the lot for real estate taxation under Tax Declaration No. 10-5633.

On December 4, 1976, the Office of the Register of Deeds of Isabela was burned together with all titles in the office. On December 17, 1976, the original of TCT No. T-91864 was administratively reconstituted by the Register of Deeds. On June 2, 1979, a Deed of Absolute Sale of a portion of 20,000 square meters of Lot B-3-A was executed by Filomena Domingo in favor of Villegas for a consideration of P1,000.00. This document was registered on June 3, 1981 and as a result TCT No. T-131807 was issued by the Register of Deeds to Villegas. On the same date, the

technical description of Lot B-3-A-2 was registered and TCT No. T-131808 was issued in the name of Domingo. On January 22, 1991, this document was registered and TCT No. 154962 was issued to the defendant, Joselito Villegas.<sup>[4]</sup>

On April 10, 1991, the trial court upon a petition filed by Fortune ordered the reconstitution of the original of TCT No. T-68737.

In the pre-trial, the parties admitted that Lot B-3-A covered by the plaintiff's TCT No. T-68737 is identical to Lot B-3-A described in TCT No. T-91864 and Villegas' titles were mere transfers from TCT No. T-91864.<sup>[5]</sup>

After trial on the merits, the trial court rendered its assailed decision in favor of Fortune Tobacco, declaring it to be entitled to the property. Petitioners thus appealed this decision to the Court of Appeals, which affirmed the trial court's decision, with a modification on the award of damages and attorney's fees, disposing:

IN VIEW OF ALL THE FOREGOING, the Decision appealed from is hereby AFFIRMED with the MODIFICATION that the award of damages and attorney's fees are deleted. No pronouncement as to costs.

SO ORDERED.<sup>[6]</sup>

Petitioners are now before us, asserting that the Court of Appeals committed the following errors:

1. THE RESPONDENT COURT ERRED IN THE APPLICATION OF THE PRIOR TITLE RULE, AS BOTH PARTIES HAVE THEIR OWN REGISTERED TITLE. THE BETTER, OR BEST EVIDENCE RULE, OR THE EQUIPONDERANCE RULE OF EVIDENCE SHOULD BE APPLIED TO AVOID AND ABOMINABLE TRAVESTY OF JUSTICE;
2. THE DEED OF SALE, OR TITLE ACQUIRED BY THE PRIVATE RESPONDENT HAD BEEN LEFT UN-ENFORCED, AND UN-ASERTED (SIC) FOR A SPAN OF EIGHTEEN (18) YEARS FROM ITS SO-CALLED ISSUANCE, FOR IT HAS STILL TO WAIT FOR ITS RE-CONSTITUTION IN 1991, AND SUBJECT TO THE ANNOTATION, OR RESERVATION ON ITS DORSAL SIDE, MAKES IT GUILTY OF LACHES AND WHATEVER RIGHT IT MAY HAVE THEREUNDER HAD BEEN LOST THRU LACHES, PRESCRIPTION OR INACTION;
3. THE PRIVATE RESPONDENT DEFINITELY IS A BUYER IN BAD FAITH; HE HAS NO BETTER RIGHT THAN ITS PREDECESSOR IN INTEREST, AND IS SUBJECT TO ALL THE DEFECTS AND INFIRMITIES THE TITLE HAS BEFORE ITS TRANSMITTAL TO IT.<sup>[7]</sup>

In the main, we are to resolve (a) Who among the parties is entitled to the property, based on the validity of their respective titles? and (b) Has laches set in against private respondent Fortune Tobacco Corporation?

It is petitioners' contention that Fortune was a buyer in bad faith. They allege that Fortune should have investigated if the property had any occupants. If it had done so, it would have found petitioners and their predecessors-in-interest in possession

thereof. Petitioners also allege that Andres and Caigas were not the owners of the property at the time it was sold to Fortune. Throughout their pleadings before this Court, petitioners claim that Fortune's title is "fake and spurious," having proceeded from its "so-called reconstitution." Lastly, petitioners invoke the doctrine of laches against Fortune's bid to recover the property.

Invoking the prior title rule, Fortune declares that it is the lawful owner of the property, as the certificate of title in its name was issued before issuance of another title to petitioners' predecessor-in-interest, Filomena Domingo. Fortune claims that petitioners' title is spurious. It also alleges that petitioners admitted the validity of Fortune's title, and that petitioners' continuous possession of the property cannot defeat said title. Fortune also asserts that it bought the property in good faith.

It must be noted at the outset that Fortune's claim over the subject property is predicated upon the alleged prior issuance of its title in 1973, which was lost in a fire and reconstituted only in 1991. Hence, the soundness of Fortune's claims is hinged upon the validity of its reconstituted title. It is thus imperative for us to look into whether or not Fortune's title was properly reconstituted. This question was not raised as an issue by petitioners, and neither was the grant of Fortune's reconstituted title assigned as an error in the petition. We have held however, that the Court is clothed with ample authority to review matters, even if they are not assigned as errors in the appeal, if it finds that their consideration is necessary in arriving at a just decision of the case.<sup>[8]</sup>

In the case at bar, Fortune's title was judicially reconstituted by virtue of an order dated April 10, 1991, issued by the Regional Trial Court, Branch 19 of Cauayan, Isabela, also the court *a quo*. It disposed:

This is a verified petition filed by the petitioner Fortune Tobacco Corporation for the reconstitution of Transfer Certificate of Title No. T-68737 issued in its name by the Register of Deeds of Isabela.

The petition was set for hearing on January 31, 1991. *The notice of hearing was caused to be published for two (2) successive issues in the Official Gazette.*

On the scheduled date of hearing, Johnson Fernandez, Assistant Manager of the petitioner and his counsel appeared. *Nobody appeared to oppose the petition.*

To prove the jurisdictional facts, the petitioner presented as exhibits the following:

Exh. A, The Amended Notice of Hearing;

Exh. B, *the Affidavit of Publication of the notice of hearing in the Official Gazette;*

Exh. C, *the owner's duplicate copy of TCT No. T-68737 issued in the name of the petitioner by the Register of Deeds of Isabela.*

There being no opposition, the petitioner was ordered to present its

evidence ex-parte.

From the evidence presented, it has been established that the petitioner is the registered owner of that certain parcel of land situated at Dadap, Cauayan, Isabela, described in and covered by Transfer Certificate of Title No. T-68737 issued in the name of the petitioner by the Register of Deeds of Isabela; that sometime in December, 1976, the office of the Register of Deeds was burned as a result of which the original of TCT No. T-68737 on file with the Registry of Deeds was burned as shown by the certification issued by the Registry of Deeds of Isabela (Exh. D); that as basis for the reconstitution of the original copy of the title, the petitioner has in its possession the owner's duplicate copy of TCT No. T-68737.

Finding the petition to be well-founded;

WHEREFORE, the Register of Deeds of Isabela is hereby ordered to reconstitute the original copy of TCT No. T-68737 in the name of the petitioner on the basis of the owner's duplicate copy thereof, upon payment of the corresponding legal fees.

SO ORDERED. (Italics supplied.)<sup>[9]</sup>

Section 110 of Presidential Decree No. 1529<sup>[10]</sup> provides:

SEC. 110. *Reconstitution of lost or destroyed original of Torrens title.* - Original copies of certificates of title lost or destroyed in the offices of Register of Deeds as well as liens and encumbrances affecting the lands covered by such titles shall be reconstituted judicially in accordance with the procedure described in Republic Act No. 26 insofar as not inconsistent with this Decree....

In turn, Sections 3, 10 and 9 of Republic Act No. 26<sup>[11]</sup> provide -

SEC. 3. Transfer certificates of title shall be reconstituted from such of the sources hereunder enumerated as may be available, in the following order:

(a) The owner's duplicate of the certificate of title;

xxx

SEC. 10. Nothing hereinbefore provided shall prevent any registered owner or person in interest from filing the petition mentioned in section five of this Act directly with the proper Court of First Instance, based on sources enumerated in sections 2(a), 2(b), 3(a), 3(b), and/or 4(a) of this Act: Provided, *however*, That the Court shall cause a notice of the petition, before hearing and granting the same, to be published in the manner stated in section nine hereof...

SEC. 9. ... Thereupon, the court shall cause a notice of the petition to be published, at the expense of petitioner, twice in successive issues of the Official Gazette, and to be posted on the main entrance of the provincial