

## THIRD DIVISION

[ G.R. No. 138971, June 06, 2001 ]

**PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA), PETITIONER,  
VS. HON. RUMOLDO R. FERNANDEZ, REGIONAL TRIAL COURT OF  
LAPU-LAPU CITY (BRANCH 54); AND THE HEIRS OF THE  
DECEASED SPOUSES JUAN CUIZON AND FLORENTINA RAPAYA,  
RESPONDENTS.**

### D E C I S I O N

#### **PANGANIBAN, J.:**

An action for reconveyance of land, an equitable remedy recognized under our land registration laws, is subject to the applicable rules on prescription. Moreover, the right to pursue such reivindicatory action may be defeated when the property sought to be recovered has been conveyed to an innocent purchaser for value.

#### **The Case**

Before this Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, seeking to set aside the June 8, 1999 Decision<sup>[1]</sup> of the Court of Appeals (CA) in CA-GR SP No. 47575. In the said Decision, the CA sustained the January 12, 1998<sup>[2]</sup> and the March 31, 1998<sup>[3]</sup> Orders of the Regional Trial Court of Lapu-Lapu City (Branch 54) in Civil Case No. 4534-L, which denied petitioner's Motion to Dismiss and Motion for Reconsideration, respectively. The dispositive portion of the CA Decision reads as follows:

**"WHEREFORE**, [there being] no abuse of discretion committed by respondent court, the instant petition is hereby DISMISSED."

#### **The Facts**

The subject of the present controversy is Lot No. 4673 of the Opon Cadastre situated in Lapu-Lapu City, covered by Original Certificate of Title (OCT) No. RO-2537 (May 19, 1982) and registered in the names of Florentina Rapaya, Victorino Cuizon, Isidro Cuizon, Ursula Cuizon, Benito Lozano, Isabel Lozano, Pelagia Lozano, Augusto Lozano, Valeriano Ybañez, Jesus Ybañez, Numeriano Ybañez, Martino Ybañez, Eutiquio Patalinghug, Celedonio Patalinghug, Santiago Patalinghug and Silvino Patalinghug. The lot has an area of 11,345 square meters, more or less.

On May 15, 1982, Jorgea Igot-Soroño, Frisca Booc and Felix Cuizon executed an Extrajudicial Partition, in which they declared themselves as the only surviving heirs

of the registered owners of the aforesaid lot. Consequently, they were issued TCT No. 12467 on July 8, 1982.

Considering that the said lot was among the objects of expropriation proceedings docketed as Civil Case No 510-L and pending before it, Branch XVI of the Regional Trial Court (RTC) of Lapu-Lapu City rendered a partial Decision on August 11, 1982. In that Decision, the RTC approved the Compromise Agreement entered into between the Export Processing Zone Authority (EPZA) and the new registered owners of Lot No. 4673; namely, Jorgea Igot-Soroño, Frisca Booc and Felix Cuizon. In accordance with the approved Compromise Agreement, EPZA would pay P68,070 as just compensation for the expropriation of the subject property, which was to be used for an export processing zone to be established in Lapu-Lapu City.

As a consequence of the RTC Decision, petitioner acquired title over Lot No. 4673 and the corresponding Transfer Certificate of Title (TCT) No. 12788 issued by the Register of Deeds of Lapu-Lapu City on October 13, 1982.

On July 29, 1996, private respondents filed with the RTC of Lapu-Lapu City a Complaint for Nullity of Documents, Redemption and Damages against petitioner and Jorgea-Igot Soroño et al. Docketed as Civil Case No. 4534-L, the Complaint alleged that herein private respondents had been excluded from the extrajudicial settlement of the estate. It likewise sought the nullification of several documents, including TCT No. 12788 dated October 13, 1992, issued in the name of herein petitioner.

On February 17, 1997, petitioner filed a Motion to Dismiss the Complaint on the ground of prescription. This Motion was denied by respondent judge in the Order dated January 12, 1998. A Motion for Reconsideration thereof was likewise denied in the Order dated March 31, 1998.

On April 30, 1998, petitioner elevated the matter to the Court of Appeals through a Petition for Certiorari. As earlier noted, the CA dismissed the Petition.

Hence, this recourse.<sup>[4]</sup>

### **The CA Ruling**

In denying the Petition, the CA ratiocinated as follows:

"Civil Case No. 4534-L although instituted in the guise of a complaint for Nullity of Documents, Redemption and Damages is in effect an action for reconveyance of the property to plaintiffs of a portion which rightfully belong to them. It would be against good reason and conscience not to hold that defendants, Francisca `Frisca' Booc, heirs of deceased Jorg[e]a Igot-Soronio and heirs of Felix Cuizon committed a breach of trust which enabled them to execute a Deed of Extrajudicial Partition[,] Special Power of Attorney and Deed of Absolute Sale in favor of EPZA to the prejudice of the plaintiffs as their co-heirs. Therefore, in an action like this case, the private respondents may be ordered to make reconveyance of the property to the person rightfully entitled to it.

"It is undeniable that defendants defrauded plaintiffs by falsely representing that they were the only heirs of deceased Juan Cuizon and Florentina Rapaya, succeeded in having the original title cancelled and enabling them to appropriate the land in favor of EPZA and a new one issued in the name of the latter (EPZA). This way of acquiring title create[s] what is called 'constructive trust' in favor of the defrauded party and grants the latter the right to vindicate [itself] x x x regardless of the lapse of time. Thus, it has been held that if a person obtain(s) a legal title to the property by fraud or concealment, courts of equity will impress upon the title a so called 'trust' in favor of the defrauded party. In fact, it has long been held that a co-heir who through fraud, succeeds in obtaining a certificate of title in his name to the prejudice of his co-heirs, is deemed to hold the land in trust for the latter. The excluded heir's action is imprescriptible.

"And if the action involve(s) the declaration of the nullity or inexistence of a void or inexistent contract which became the basis for the fraudulent registration of the subject property, then the action is imprescriptible. This finds codal support in Article 1410 of the Civil Code, which declares that the action or defense for the declaration of the inexistence of a void contract does not prescribe.

"As to the constructive notice rule alleged by the petitioner, (the) Supreme Court in the case of Juan vs. Zuniga, citing Sevilla vs. Angeles, has this to say:

'While this ruling is correct as applied to ordinary actions by recovery of real property which is covered by a torrens title upon the theory that its registration under our registration system has the effect of constructive notice to the whole world, the same cannot be applied x x x when the purpose of the action is to compel a trustee to convey the property registered in his name for the benefit of the cestui que trust. In other words, the defense of prescription cannot be set up in an action whose purpose is to recover property held by a person for the benefit of another.'

### **The Issues**

Petitioner interposes the following issues for the consideration of this Court:

"I

Whether or not the appellate court erred in not holding that private respondents' claim against expropriated property had prescribed.

"II

Whether or not the appellate court erred in not holding that reconveyance does not lie against the expropriated property."<sup>[5]</sup>

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

The Petition is meritorious.

#### **First Issue:** **Prescription**

Petitioner avers that private respondents' claim against the subject property has already prescribed, because the two-year period within which an unduly excluded heir may seek a new settlement of the estate had already lapsed by the time private respondents filed their action with the trial court. Petitioner further argues that private respondents received constructive notice in view of the registration of the extrajudicial partition with the Registry of Deeds. According to petitioner, the two-year period commenced from July 8, 1982, the date of inscription of the extrajudicial settlement on OCT No. 2537.

The pertinent provisions of Section 4, Rule 74 of the Rules of Court, are reproduced for easy reference, as follows:

"Section 4. *Liability of distributees and estate.* - ***If it shall appear at any time within two (2) years after the settlement and distribution of an estate*** in accordance with the provisions of either of the first two sections of this rule, ***that an heir or other person has been unduly deprived of his lawful participation in the estate, such heir or such other person may compel the settlement of the estate in the courts in the manner hereinafter provided for the purpose of satisfying such lawful participation.*** And if within the same time of two (2) years, it shall appear that there are debts outstanding against the estate which have not been paid, or that an heir or other person has been unduly deprived of his lawful participation payable in money, the court having jurisdiction of the estate may, by order for that purpose, after hearing, settle the amount of such debts or lawful participation and order how much and in what manner each distributee shall contribute in the payment thereof, and may issue execution, if circumstances require, against the bond provided in the preceding section or against the real estate belonging to the deceased, or both. Such bond and such real estate shall remain charged with a liability to creditors, heirs, or other persons for the full period of two (2) years after such distribution, notwithstanding any transfers of real estate that may have been made." (Emphasis supplied)

A perusal of the foregoing provision will show that persons unduly deprived of their