387 Phil. 283

SECOND DIVISION

[G.R. No. 129471, April 28, 2000]

DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS. COURT OF APPEALS AND CARLOS CAJES, RESPONDENTS.

D E C I S I O N

MENDOZA, J.:

This is a petition for certiorari seeking to reverse the decision[1] and resolution[2] of the Court of Appeals dated August 30, 1996 and April 23, 1997, respectively, declaring private respondent Carlos Cajes the owner of 19.4 hectares of land embraced in TCT No. 10101 and ordering the segregation and reconveyance of said portion to him.

The antecedent facts are as follows:

The land in dispute, consisting of 19.4 hectares located in San Miguel, Province of Bohol, was originally owned by Ulpiano Mumar, whose ownership since 1917 was evidenced by Tax Declaration No. 3840.[3] In 1950,[4] Mumar sold the land to private respondent who was issued Tax Declaration No. R-1475 that same year.[5] The tax declaration was later superseded by Tax Declaration Nos. R-799 issued in 1961[6] and D-2247 issued in 1974.[7] Private respondent occupied and cultivated the said land,[8] planting cassava and camote in certain portions of the land.[9]

In 1969, unknown to private respondent, Jose Alvarez succeeded in obtaining the registration of a parcel of land with an area of 1,512,468.00 square meters,[10] in his name for which he was issued OCT No. 546 on June 16, 1969.[11] The parcel of land included the 19.4 hectares occupied by private respondent. Alvarez never occupied nor introduced improvements on said land.[12]

In 1972, Alvarez sold the land to the spouses Gaudencio and Rosario Beduya to whom TCT No. 10101 was issued.[13] That same year, the spouses Beduya obtained a loan from petitioner Development Bank of the Philippines for P526,000.00 and, as security, mortgaged the land covered by TCT No. 10101 to the bank.[14] In 1978, the SAAD Investment Corp., and the SAAD Agro-Industries, Inc., represented by Gaudencio Beduya, and the spouses Beduya personally executed another mortgage over the land in favor of petitioner to secure a loan of P1,430,000.00.[15]

The spouses Beduya later failed to pay their loans, as a result of which, the mortgage on the property was foreclosed.[16] In the resulting foreclosure sale held on January 31, 1985, petitioner was the highest bidder.[17] As the spouses Beduya failed to redeem the property, petitioner consolidated its ownership.[18]

It appears that private respondent had also applied for a loan from petitioner in 1978, offering his 19.4 hectare property under Tax Declaration No. D-2247 as security for the loan. As part of the processing of the application, a representative of petitioner, Patton R. Olano, inspected the land and appraised its value.

Private respondent's loan application was later approved by petitioner.[19] However after releasing the amount of the loan to private respondent, petitioner found that the land mortgaged by private respondent was included in the land covered by TCT No. 10101 in the name of the spouses Beduya. Petitioner, therefore, cancelled the loan and demanded immediate payment of the amount.[20] Private respondent paid the loan to petitioner for which the former was issued a Cancellation of Mortgage, dated March 18, 1981, releasing the property in question from encumbrance.[21]

Sometime in April of 1986, more than a year after the foreclosure sale, a re-appraisal of the property covered by TCT No. 10101 was conducted by petitioner's representatives. It was then discovered that private respondent was occupying a portion of said land. Private respondent was informed that petitioner had become the owner of the land he was occupying, and he was asked to vacate the property. As private respondent refused to do so,[22] petitioner filed a complaint for recovery of possession with damages against him. The case was assigned to Branch 1 of the Regional Trial Court, Tagbilaran City,[23] which after trial, rendered a decision, dated August 22, 1989, declaring petitioner the lawful owner of the entire land covered by TCT No. 10101 on the ground that the decree of registration was binding upon the land.[24] The dispositive portion of the decision reads:

> WHEREFORE, foregoing considered, the court renders judgment:
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> 1. Declaring plaintiff bank Development Bank of the Philippines the true and legal owner of the land in question covered by TCT No. 10101 farm of Gaudencio Beduya;
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> 2. Dismissing defendant's counterclaim;
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> 3. Ordering defendant to vacate from the land in question; the portion of which he claims to belong to him for without basis in fact and law;
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> 4. Ordering defendant, his agents or any person representing him or those who may claim substantial rights on the land to vacate therefrom, cease and desist from disturbing, molesting and interfering plaintiff's possession of the land in question, and from committing any such act as would tend to mitigate, deny or deprive plaintiff of its ownership and possession over said land.
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> SO ORDERED.

On appeal, the Court of Appeals reversed and gave judgment for private respondent, declaring him the owner of the 19.4 hectares of land erroneously included in TCT No. 10101. The dispositive portion of the appellate court's decision reads:

WHEREFORE, the appealed decision is hereby REVERSED AND SET ASIDE. A new decision is hereby rendered:

1. Dismissing the complaint.

2. Declaring the disputed 19.4000 hectares of land embraced in TCT 10101 as exclusively belonging to defendant-appellant, ordering its segregation from plaintiff-appellee's title and its reconveyance to appellant.

No pronouncement as to costs.

SO ORDERED.[25]

Petitioner moved for a reconsideration but its motion was denied in a resolution dated April 23, 1997.[26] Hence this petition.

Petitioner contends that:

I. THE DECISION OF THE RESPONDENT COURT IS NOT IN ACCORD WITH THE APPLICABLE PROVISIONS OF LAW (Sections 38 and 46 of ACT 496) AND THE APPLICABLE DECISIONS OF THE SUPREME COURT, PARTICULARLY IN THE CASE OF BENIN VS. TUASON, 57 SCRA 531.
II. THE RESPONDENT COURT OVERLOOKED THE ISSUES ABOUT THE DBP BEING AN INNOCENT MORTGAGEE FOR VALUE OF THE LAND IN QUESTION AND OF HAVING PURCHASED LATER THE SAME DURING A PUBLIC AUCTION SALE.
III. THE RESPONDENT COURT'S RULING DECLARING DBP IN ESTOPPEL IS ILLOGICAL.[27]

First. Petitioner invokes the ruling of this Court in *Benin v. Tuason*[28] in support of its claim that its predecessor-in-interest, Jose Alvarez, became the owner of the land by virtue of the decree of registration issued in his name. In *Benin*, three sets of plaintiffs filed separate complaints against Mariano Severo Tuason and J.M. Tuason & Co., Inc., praying for the cancellation of OCT No. 735 covering two parcels of land called the Sta. Mesa Estate, or Parcel 1, with an area of 8,798,617.00 square meters, and the Diliman Estate, or Parcel 2, with an area of 15,961,246.00 square meters. They asked that they be declared the owners and lawful possessors of said lands.

Benin is distinguished from this case. In the first place, *Benin* involved vast tracts of lands which had already been subdivided and bought by innocent purchasers for value and in good faith at the time the claimants obtained registration. Secondly, when the claimants' ancestors occupied the lands in question and declared them for tax purposes in 1944, the lands were already covered by the tax declarations in the name of J. M. Tuason & Co., Inc. In 1914, OCT No. 735 was issued in the name of Tuason so that, from that time on, no possession could defeat the title of the registered owners of the land. Thirdly, the validity of OCT No. 735 had already been recognized by this Court in several cases[29] and, as a result thereof, the transfer

certificates of title acquired by the innocent purchasers for value were also declared valid. It was held that neither could the claimants file an action to annul these titles for not only had these actions prescribed, but the fact was that the claimants were also barred from doing so by laches, having filed the complaint only in 1955, or 41 years after the issuance of OCT No. 735 to J.M. Tuason & Co., Inc. Thus, it was not solely the decree of registration which was considered in resolving the *Benin* case. What was considered decisive was the valid title or right of ownership of J. M. Tuason & Co., Inc. and that of the other innocent purchasers for value and in good faith compared to the failure of the claimants to show their right to own or possess the questioned properties.

Petitioner maintains that the possession by private respondent and his predecessor-in-interest of the 19.4 hectares of land for more than 30 years cannot overcome the decree of registration issued in favor of its predecessor-in-interest Jose Alvarez. Petitioner quotes the following statement in the *Benin* case:

> It follows also that the allegation of prescriptive title in favor of plaintiffs does not suffice to establish a cause of action. If such prescription was completed before the registration of the land in favor of the Tuasons, the resulting prescriptive title was cut off and extinguished by the decree of registration. If, on the contrary, the prescription was either begun or completed after the decree of registration, it conferred no title because, by express provision of law, prescription can not operate against the registered owner (Act 496).[30]

Petitioner would thus insist that, by virtue of the decree of registration, Jose Alvarez and those claiming title from him (i.e., the spouses Beduya) acquired ownership of the 19.4 hectares of land, despite the fact that they neither possessed nor occupied these lands.

This view is mistaken. A consideration of the cases shows that a decree of registration cut off or extinguished a right acquired by a person when such right refers to a lien or encumbrance on the land ¾ not to the right of ownership thereof ¾ which was not annotated on the certificate of title issued thereon. Thus, Act No. 496 provides:

> Sec. 39. Every person receiving a certificate of title in pursuance of a decree of registration, and every subsequent purchaser of registered land who takes a certificate of title for value in good faith shall hold the same free of all encumbrances except those noted on said certificate, and any of the following encumbrances which may be subsisting, namely:
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> *First.* Liens, claims, or rights arising or existing under the laws of Constitution of the United States or of the Philippine Islands which the statutes of the Philippine Islands cannot require to appear of record in the Registry.
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> *Second.* Taxes within two years after the same became due and payable.
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> *Third.* Any public highway, way, private way established by law, or any Government irrigation canal or lateral thereof, where the certificate of title does not state that the boundaries of such highway, way, or

> irrigation canal or lateral thereof, have been determined.
>
> But if there are easements or other rights appurtenant to a parcel of registered land which for any reason have failed to be registered, such easements or rights shall remain so appurtenant notwithstanding such failure, and shall be held to pass with the land until cut off or extinguished by the registration of the servient estate, or in any other manner.

Hence, in *Cid v. Javier*,[31] it was helds:

> . . . Consequently, even conceding *arguendo* that such an easement has been acquired, it had been cut off and extinguished by the registration of the servient estate under the Torrens system without the easement being annotated on the corresponding certificate of title, pursuant to Section 39 of the Land Registration Act.

This principle was reiterated in *Purugganan v. Paredes*[32] which also involved an easement of light and view that was not annotated on the certificate of title of the servient estate.

But to make this principle applicable to a situation wherein title acquired by a person through acquisitive prescription would be considered cut off and extinguished by a decree of registration would run counter to established jurisprudence before and after the ruling in Benin. Indeed, registration has never been a mode of acquiring ownership over immovable property. As early as 1911, in the case of *City of Manila v. Lack,*[33] the Court already ruled on the purpose of registration of lands, *viz.*:

> The Court of Land Registration was created for a single purpose. The Act is entitled "An Act to provide for the adjudication and registration of titles to lands in the Philippine Islands." The sole purpose of the Legislature in its creation was to bring the land titles of the Philippine Islands under one comprehensive and harmonious system, the cardinal features of which are indefeasibility of title and the intervention of the State as a prerequisite to the creation and transfer of titles and interest, with the resultant increase in the use of land as a business asset by reason of the greater certainty and security of title. It does not create a title nor vest one. It simply *confirms* a title *already* created and *already* vested, rendering it forever indefeasible. . .

Again, in the case of Angeles v. Samia[34] where land was erroneously registered in favor of persons who neither possessed nor occupied the same, to the prejudice of the actual occupant, the Court held:

> . . . The purpose of the Land Registration Act, as this court has had occasion to so state more than once, is not to create or vest title, but to confirm and register title already created and already vested, and of course, said original certificate of title No. 8995 could not have vested in the defendant more title than what was rightfully due her and her coowners. It appearing that said certificate granted her much more than she expected, naturally to the prejudice of another, it is but just that the error, which gave rise to said anomaly, be corrected (City of Manila vs. Lack, 19 Phil., 324). The defendant and her coowners knew or, at least,