



Republic of the Philippines
Supreme Court
 Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated **October 14, 2020** which reads as follows:*

“G.R. No. 237671 (Isabelita S. Tangeli, et al. v. Luis P. Lorenzo, Jr., Tomas P. Lorenzo, Juanito R. Ignacio and Lead Export & Agro-Development Corporation)

Antecedents

On June 20, 2009, petitioners Isabelita S. Tangeli, Rodelio T. Valenzuela, Rodolfo T. Valenzuela, Aida T. Valenzuela-Osorio, Ever T. Valenzuela, Tito T. Valenzuela, Sr., Vicente T. Valenzuela, Dina T. Valenzuela-Abella, and Linda T. Valenzuela-Maravillosa (collectively “petitioners”) sued respondent Lead Export & Agro-Development Corp. (Lead Export) for recovery of possession, injunction, damages, and attorney’s fees. Petitioners essentially alleged:

They were the heirs of deceased Gaspar Valenzuela who was the registered owner of a 121,793 sqm lot in Maniki, Kapalong, Davao del Norte per TCT T-13364. Gaspar was an unschooled barrio farmer “who was not wise in the ways of the world.”¹ Gaspar passed away² on April 14, 2001.

In 2006,³ pursuant to their Extra Judicial Settlement,⁴ the Registry of Deeds, Tagum City issued TCT T-230838 in the names

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¹ *Rollo*, p. 7.

² *Id.* at 21.

³ *Id.* at 52.

⁴ Under Rule 74 of the Rules of Court.

of Gaspar's widow Isabelita, Rodelio, and Rodolfo.⁵ They also declared the property in their names for tax purposes.⁶

Sometime in 1973, a certain Alfredo Duque, an employee of Delta Farms, tricked and deceived Gaspar into signing documents involving the property. These documents purportedly allowed Delta Farms to enter and cultivate the property for an initial fee of ₱65,000.00 plus a share in its produce. But it was in reality a Deed of Sale.⁷ Delta Farms, however, did not make good its commitment to pay Gaspar his share from the produce of the property.⁸

Worse, Duque sold the property to Douglas Ipulan who subsequently transferred the same to Juan Acosta. All three (3) were employees of Delta. None of these transfers though were registered.⁹

On April 25, 1988, Acosta leased the property to Evergreen Delta Farms for a period of twenty-five (25) years. Evergreen Delta Farms was later absorbed by Evergreen before it merged with Lead Exports & Agro-Development Corp.¹⁰

On November 15, 2006, petitioners sent a letter to respondent Lead Export demanding that it surrender and vacate the property, but the company refused.¹¹

Lead Export's Defense

For its part, Lead Export essentially countered that petitioners had no cause of action against it. For Gaspar had sold and delivered the property to Duque by virtue of a Deed of Sale dated October 8, 1973, viz.:¹²

DEED OF ABSOLUTE SALE

KNOW ALL MEN BY THESE PRESENTS:

That I, GASPAR VALENZUELA, of legal age, Filipino, married to Isabelita T. Valenzuela, x x x, and the absolute registered owner of a parcel of land situated at the Bo. of Kapungangan, Kapalong, Davao by virtue of Transfer Certificate

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⁵ *Rollo*, p. 8.

⁶ *Id.* at 21.

⁷ *Id.* at 7, 21.

⁸ *Id.* at 22.

⁹ *Id.* at 8.

¹⁰ *Id.*

¹¹ *Id.* at 22.

¹² *Id.* at 29-30.

of Title No. T-13364 of the Registry of Deeds for the Province of Davao, x x x and more particularly bounded and described as follows:

x x x

with a total land area of two (2) lots of ONE HUNDRED TWENTY-ONE THOUSAND SEVEN HUNDRED NINETY-THREE (121,793) SQUARE METERS, more or less, free from all liens and encumbrances whatsoever,

That for and in consideration of the sum of SIXTY-FIVE THOUSAND (P65,000.00) PESOS, Phil. Currency, receipt of which is hereby confessed and acknowledged to my full and complete satisfaction, I have now sold, transferred, ceded and conveyed, by way of this absolute sale, my above-described properties, unto and in favor of ALFREDO DUQUE, x x x, his heirs and assignees warranting unto the said vendee, the absolute and peaceful possession and ownership over the same.

x x x

(signed)
GASPAR VALENZUELA
Vendor

With my marital consent:

(signed)
ISABELITA T. VALENZUELA
Vendor's Spouse

This deed was duly acknowledged before Bernardo V. Saldares, Municipal Judge and Notary Public Ex-Oficio who entered the same in his Notarial Register as Doc. No. 141, Page 73, Book VI, Series of 1973.¹³

Assuming for the sake of argument that petitioners had the right to claim the property, they were barred by prescription and laches. Their inaction should be deemed an abandonment of their right.¹⁴

Regional Trial Court's Ruling

By Decision¹⁵ dated July 14, 2014, the Regional Trial Court-Br. 1, Tagum, Davao del Norte ruled in favor of petitioners, viz.:

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¹³ *Id.* at 51.

¹⁴ *Id.*

¹⁵ Penned by Presiding Judge Virginia D. Tehano-Ang; *rollo*, pp. 50-61.

WHEREFORE, in light of the foregoing, defendant Lead Export and its co-defendants or its successors or representatives, or any person claiming any right under them are hereby directed:

1. To Vacate and Surrender possession of the property, subject of this case, specifically the land covered by TCT No. T-230838, consisting of 121,793 square meters to plaintiffs; and
2. To pay plaintiffs the amount of ₱54,816.56, as reimbursement of judicial costs consisting of the total amount of filing fees they paid, plus legal interest thereon at 12% per annum to be computed from the date of this Order, until full payment thereof.

SO ORDERED.

The trial court found that petitioners had a better right to the possession of the property as registered owners thereof. It relied on *Urieta v. Sps. Alfaro, et al.*¹⁶ wherein the Court emphasized that a Torrens title is an indefeasible title to property in favor of the person under whose name the title appears.¹⁷

The trial court rejected Lead Export's theory of prescription and laches. Relying on *Heirs of Anacleto Nieto et al. v. Municipality of Meycauayan Bulacan*,¹⁸ the trial court ruled that an action to recover possession is never barred by laches. These benefits extend to the registered owner's heirs because they step into the shoes of their predecessor by operation of law.

Both parties moved for reconsideration. For their part, petitioners argued that the trial court erred in not awarding them damages.

Through its Order dated October 30, 2014, the trial court denied reconsideration.¹⁹ Both parties appealed.

Proceedings before the Court of Appeals

Petitioners assailed the trial court's ruling for not awarding them actual and compensatory damages in the form of back rentals which they actually sought as an affirmative relief. Meanwhile, Lead Export continued to refuse to vacate and surrender possession of the

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¹⁶ 637 Phil. 131, 142 (2010).

¹⁷ *Rollo*, p. 24.

¹⁸ 564 Phil. 674, 682-683 (2007).

¹⁹ *Rollo*, p. 25.

property. Thus, the trial court's ruling allowed Lead Export to unjustly enrich itself at their expense.²⁰

On the other hand, Lead Export faulted the trial court for ruling in favor of petitioners. It argued that despite the non-registration or annotation of the sales, the same remained binding as between the parties and their successors-in-interest. Too, *Urieta v. Sps. Alfaro, et al.*²¹ is inapplicable because the *Kasulatan sa Bilihan* in that case bore tell-tale signs which cast doubt on its genuineness, thus, making the Torrens title prevail over the notarized but unregistered *Kasulatan*. Finally, it reiterated its position on prescription and laches.²²

Court of Appeals' Ruling

By Decision²³ dated July 28, 2017, the Court of Appeals ruled in favor of Lead Export and against petitioners. In essence, it ordained:

First. The Deed of Sale dated October 8, 1973 between Gaspar and Duque was valid and binding as between them. Its content clearly showed that Gaspar had every intention to sell, transfer, cede, and convey all his rights over the property in favor of Duque.

Second. The notarized deed of sale was a public document which enjoyed the presumption of regularity. Contradicting it would require clear and convincing evidence, without which, the evidentiary weight of a notarized document must be upheld. Unfortunately for petitioners, they failed to overcome this burden. For they did not present any proof that the document was spurious or that Gaspar's signature thereon had been forged. In fact, petitioners themselves admitted the existence of the Deed of Sale dated October 8, 1973 during the trial. It cannot also be ignored that Isabelita herself signed the document.²⁴

To be sure, a deed of sale, albeit unregistered, is valid and binding as between the vendor and vendee pursuant to Section 51,

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²⁰ *Id.* at 26.

²¹ *Supra*, note 16.

²² *Rollo*, pp. 26-27.

²³ Penned by Associate Justice Perpetua T. Atal-Paño, with Associate Justices Edgardo T. Loren and Louis P. Acosta, concurring; *rollo*, pp. 20-40.

²⁴ *Rollo*, p. 31.

Presidential Decree (PD) 1529 or the Property Registration Decree.²⁵ Registration serves as notice to third persons, while between the contracting parties like Gaspar and Duque, actual notice is equivalent to registration. As for petitioners, they are not “third persons” within the contemplation of the law. Verily, “third persons” refer to innocent purchasers who may have bought the property by relying on the TCT itself.²⁶

In *Cuizon v. Remoto*,²⁷ the Court ruled that a conveyance shall not be valid against any person unless registered, except (1) the grantor, (2) **his heirs and devisees**, and (3) third persons having actual notice or knowledge thereof. Clearly, petitioners here fall under the second exception. In any case, Gaspar’s acts bind his heirs, herein petitioners pursuant to Article 1311²⁸ of the Civil Code.²⁹

Fourth. Gaspar had full rights to dispose of the property during his lifetime. Too, he neither assailed the deed of sale nor questioned Lead Export’s and its predecessors-in-interest’s possession of the property. The issue only arose years after his death, showing that he had every intention to sell the property to Duque.³⁰

Fifth. *Urieta v. Sps. Alfaro, et al.*³¹ is inapplicable. As explained by the Court, the *Kasulatan* in issue therein bore tell-tale signs that cast doubt on its genuineness *i.e.*, its date of execution coincided with the date of death. More, the purported notarized but unregistered deed of sale in that case was executed before subject property therein was registered under the Torrens system, which was not the case here.³²

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²⁵ Section 51. Conveyance and other dealings by registered owner. An owner of registered land may convey, mortgage, lease, charge or otherwise deal with the same in accordance with existing laws. He may use such forms of deeds, mortgages, leases or other voluntary instruments as are sufficient in law. But no deed, mortgage, lease, or other voluntary instrument, except a will purporting to convey or affect registered land shall take effect as a conveyance or bind the land, but shall operate only as a contract between the parties and as evidence of authority to the Register of Deeds to make registration.

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under this Decree, the registration shall be made in the office of the Register of Deeds for the province or city where the land lies. (Italics supplied)

²⁶ *Rollo*, p. 33.

²⁷ 509 Phil. 258, 268 (2005).

²⁸ Article 1311. Contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law. The heir is not liable beyond the value of the property he received from the decedent.

²⁹ *Rollo*, p. 33.

³⁰ *Id.* at 34.

³¹ *Supra*, note 16.

³² *Rollo*, pp. 34-35.

Sixth. The subsequent transfers from Duque to Ipulan and then to Acosta were likewise valid as between and among themselves, albeit unnotarized and unregistered. These transfers were never questioned by any third party.³³

Seventh. Petitioners' payment of real property taxes on subject property does not give them a better right of possession thereto. Well-settled is the rule that tax declarations are, at best, *indicia* of claim of ownership, but not proof thereof. They may only become the basis of claim of ownership when coupled with proof of actual possession.³⁴ As it was though, petitioners were never in possession of subject property. Besides, they only started paying real property taxes in 2009. It was even admitted during the trial that it was Lead Export which had been paying the taxes prior to and up until 2009.³⁵

Eighth. The Torrens system is intended to guarantee the integrity and conclusiveness of the certificate of registration, but it cannot be used to perpetuate fraud against the real owner of the registered land. The document of title merely confirms ownership but does not create it. It could not have divested the lawful owner of his valid title.³⁶ To recall, petitioners' right the subject property was merely inchoate. This inchoate right, however, had ceased from the time Gaspar sold the property to Duque.³⁷

Finally. Petitioners presented the following in evidence:

- a) TCT No. T-230838 in the name of [petitioners] as the heirs of Gaspar;
- b) Tax Declaration Nos. 04-0001-04549, 05-04-001-00146 and 05-04001-00148 in the name of Gaspar evidencing that [petitioners] have paid the land taxes in the year 2009 and 2006;
- c) The testimony of Aida Valenzuela-Osorio who testified that his father Gaspar allowed [Lead Export] to cultivate the land and in consideration received ₱65,000.00 as initial payment;
- d) The testimony of Genoveva V. Marces who testified that during the lifetime of his parents, [Lead Export] utilized the subject property by way of a farm management agreement but despite the expiration thereof, the latter refused to vacate the

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³³ *Id.* at 35.

³⁴ *Arcialla v. Teodoro*, 583 Phil. 540 (2008); and *Cequena v. Bolante*, 386 Phil. 419 (2000).

³⁵ *Rollo*, p. 36.

³⁶ *Peralta v. Abalon*, 737 Phil. 310 (2014).

³⁷ *Rollo*, pp. 36-37.

property; however, no farm management contract was ever presented by [Lead Export]; and

- e) testimony of Jose Barroso, Jr. who prepared the computations for back rental claims of [petitioners] against [Lead Export].³⁸

Taken together, these pieces of evidence did not show that the Deed of Sale dated October 8, 1973 was invalid or that Gaspar's signature was simulated or forged.³⁹

The Court of Appeals subsequently denied reconsideration by Resolution⁴⁰ dated January 19, 2018.

Present Petition

Petitioners now ask the Court to exercise its discretionary appellate jurisdiction to review and reverse the assailed dispositions of the Court of Appeals.⁴¹ They essentially fault the Court of Appeals for allegedly not respecting the trial court's findings of fact which should have been given great weight on appeal, considering that it was in a better position to examine the evidence and observe the demeanor of witnesses during trial.⁴²

They insist that the sale between Gaspar and Duque was simulated and/or fictitious, given that Duque did not take possession of the subject property after it was sold; it was Delta Farms which occupied and cultivated the land; and Duque did not take any steps to transfer the title to his name, thus, he was simply a dummy of Delta Farms.⁴³

More, the subsequent transfers to the different employees of Delta Farms were fraudulent, considering that Duque sold the subject property to Ipulan without transferring the title to his name first; Ipulan then sold the same to Acosta, another employee of Delta, through an undated deed of sale which was also not notarized; without transferring the title to his name, Acosta leased out the property to Evergreen Delta Farms which later merged with Lead Export.⁴⁴

These are clear and convincing indicia of fraud that the Court of Appeals ignored. Too, it erred in sustaining the validity of the sale

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³⁸ *Id.* at 37-38.

³⁹ *Rollo*, p. 38.

⁴⁰ *Id.* at 42-49.

⁴¹ *Id.* at 4-15.

⁴² *Id.* at 11.

⁴³ *Id.* at 12.

⁴⁴ *Id.*

simply on the ground of presumption of regularity in the notarization of the Deed of Sale dated October 8, 1973. This presumption is only a general rule which must fail when the notarized document itself is marred by irregularities, as here.⁴⁵

In its *Comment*⁴⁶ dated September 3, 2018, Lead Export ripostes that petitioners' recital of purported indicia that the sale was irregular, defective, simulated, or fictitious barely relate to the preparation and execution of the Deed of Sale dated October 8, 1973. It further maintains that the Court of Appeals' comprehensive discussion correctly upholds the validity of the sale.

Threshold Issue

Do petitioners have the better right of possession over the property as opposed to respondent?

Ruling

The Court resolves to DENY the petition for failure to sufficiently show that the Court of Appeals committed reversible error in rendering its assailed dispositions as to warrant this Court's exercise of its discretionary appellate jurisdiction.

To recall, the case below was for *accion publiciana* or recovery of possession. Thus, any adjudication on the issue of ownership therein is merely provisional, not conclusive, and shall not bar a separate action to determine with finality the real ownership of the property.⁴⁷

On one hand, trial court ruled that as registered owners of the property, petitioners are entitled to its possession. On the other hand, the Court of Appeals, delved on the validity of the deed of sale between Gaspar and Duque and ruled that Lead Export has a better right of possession.

Petitioners now insist that badges of fraud attended the sale of the property to Duque as well as its subsequent conveyances in favor of third persons. These badges of fraud are purportedly rooted in the fact that the deed of sale between Duque and Gaspar was unregistered and that Duque was just a dummy of Delta Farms, Inc. Petitioners thus assert that these so called badges of fraud should invalidate the

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⁴⁵ *Id.* at 13-14.

⁴⁶ *Id.* at 71-75.

⁴⁷ *Gabriel v. Crisologo*, 735 Phil. 673, 682-683 (2014).

sale and of the property in favor of Duque and its subsequent conveyances in favor of third persons.

We are not persuaded.

First, The Court is not a trier of facts and will not take cognizance of factual issues that will require it to recalibrate the evidence adduced by the parties below. But even if it does, there is nothing on record here that will enable the Court to make its own determination of the facts. All petitioners have the following assertions:

x x x petitioner (sic) among others were able to present that the alleged conveyance of the property from petitioners['] predecessor-in-interest, GASPAR to Duque was simulated and/or fictitious, given the following circumstances, as follows:

1. The supposed Vendee, Alfredo Duque after execution of the alleged Deed of Sale, did not take possession of the land.
2. It was DELTA FARMS, which occupied and planted the land to (sic) bananas.
3. The supposed Vendee, Alfredo Duque did not take any steps to transfer the title in his name, despite the Deed of Sale allegedly executed in his favor.
4. Alfredo Duque was an employee of DELTA. Simply put, a DUMMY.

Petitioners were also able to prove that the subsequent conveyance of the property to different personalities employed by DELTA Farms were fraudulent, given the following:

1. Without first transferring the title to his name, the alleged Vendee, Alfredo Duque sold the land to DOUGLAS IPULAN, a fellow employee of DELTA.
2. Again, without transferring the title in his name, JUAN ACOSTA on April 25, 1998 leased the land to EVERGREEN DELTA FARMS, later absorbed by EVERGREEN, before it was merged with Lead Exports Agro Development Corp. The lease was for a period of 25 years. It already expired on December 31, 2012.⁴⁸

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⁴⁸ *Rollo*, pp. 11-12.

But these are bare allegations which are devoid of any probative weight. At any rate, we turn to the documents attached to the present petition, viz: the Court of Appeals' Decision dated July 28, 2017 and Resolution dated January 19, 2018; and the trial court's Decision dated July 14, 2014. Again, there is nothing in these attachments that supports petitioner's plea to invalidate the deed of sale on ground of fraud. Notably, petitioners did not even bother to attach a copy of the Deed of Sale dated October 8, 1973 or transcripts, affidavits, and other relevant documents to support their petition.

Second. The fact alone that the deed of sale between Gaspar and Duque was not registered does not mean it was spurious, defective, simulated or fraudulent. Non sequitur. The Court of Appeals correctly cited *Cuizon v. Remoto*,⁴⁹ thus:

Petitioners harp on the fact that the 1968 Deed of Sale dated September 19, 1968, **while notarized, was not registered or annotated on TCT No. RT-183.** Petitioners must be reminded that **registration is not a requirement for validity of the contract as between the parties, for the effect of registration serves chiefly to bind third persons. Petitioners are not third persons within the contemplation of the registration rule.** The conveyance shall not be valid against any person unless registered, *except* (1) the grantor, (2) **his heirs** and devisees, and (3) third persons having actual notice or knowledge thereof. **Petitioners are both related to the original owner of the property, Placida.** Petitioner Encarnacion Lambo-Cuizon is an heir of Placida, while Salvador Cuizon is Encarnacion's husband. **Hence, registration is not required to bind petitioners.**

Furthermore, where the party has knowledge of a prior existing interest which is unregistered at the time he acquired a right to the same land, his knowledge of that prior unregistered interest has the effect of registration as to him. x x x

Petitioners rely heavily on TCT No. RT-3121 issued in their names. In the first place, the issuance of the title was **made pursuant to the 1983 Extra-Judicial Settlement with Sale.** At the time this document was entered into by the heirs of Placida, the latter **was no longer the owner of the property, having earlier sold the same** to Angel. No one can give what one does not have — *nemo dat quod non habet*. Accordingly, one can sell only what one owns or is authorized to sell, and the buyer can acquire no more than what the seller can transfer legally. **Such being the case, the heirs of Placida did not acquire any right to adjudicate the property unto them and sell it to Encarnacion.** (Emphases supplied; citations omitted)

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⁴⁹ Supra, note 27.

As in *Cuizon*, petitioners here obtained title to the property pursuant to an extra-judicial settlement, notwithstanding that said property no longer belonged to the estate of the decedent who had already sold it to another during his lifetime. Following *Cuizon*, as heirs of the original owner Gaspar, petitioners here are bound by the deed of sale executed by Gaspar in favor of Duque, albeit said deed of sale was unregistered.

In *Heirs of Tomas Arao v. Heirs of Pedro Eclipse*,⁵⁰ respondents therein assailed an unregistered, but notarized deed of sale in an action to recover possession of real property that they inherited from their predecessor. The Court stressed that non-registration of a deed of sale is *not sufficient to nullify the agreement of the parties embodied therein, especially if the same is acknowledged by a notary public*. It reiterated that even without registration, the contract is binding **between the parties, their heirs and devisees, and third persons having actual notice or knowledge thereof**. The Court also noted that respondents therein were heirs of a party to the deed of sale, while petitioners therein, apart from being heirs or the other party to the contract, had actual knowledge thereof. Thus, they are bound by the sale just as their predecessors were, as here.⁵¹

Finally. Gaspar's widow Isabelita herself, one of herein petitioners signed the Deed of Sale dated October 8, 1973 together with her husband. Petitioners did not deny this fact. Thus, they cannot now feign ignorance of the deed of sale which Isabelita herself had known, being a co-signatory thereof with her deceased husband.

All told, the Court of Appeals did not commit reversible error in sustaining the validity of the deed of sale between Gaspar and Duque and the right of Lead Export as predecessor in interest of Duque to the possession of subject property. This determination, however, is merely provisional in character, necessary as it was to identify who between the parties has the better right of possession. As such, neither party is precluded from filing a separate action to determine with finality the true owner of the subject property.

ACCORDINGLY, the Petition for Review on Certiorari is **DENIED**, and the assailed Decision⁵² dated July 28, 2017, and

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⁵⁰ G.R. No. 211425. November 19, 2018.

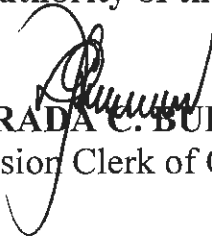
⁵¹ *Id.*, citing *Cuizon v. Remoto*, 509 Phil. 258, 268 (2005), and *Rotairo v. Alcantara*, 744 Phil. 273, 284 (2014).

⁵² Penned by Associate Justice Perpetua T. Atal-Paño, with Associate Justices Edgardo T. Loren and Louis P. Acosta, concurring; *rollo*, pp. 20-40.

Resolution⁵³ dated January 19, 2018 of the Court of Appeals in CA-G.R. CV No. 04053-MIN, **AFFIRMED.**

SO ORDERED.” Rosario, J., designated Member per Special Order No. 2794 dated October 9, 2020.

By authority of the Court:


LIBRADA C. BUENA
Division Clerk of Court *12/14*

by:

MARIA TERESA B. SIBULO
Deputy Division Clerk of Court
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(Civil Case No. 4050)

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⁵³ Rollo, pp. 42-49.

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