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THIRD DIVISION

[G.R. No. 199810. March 15, 2017]

BEVERLY ANNE C. YAP, *petitioner, vs.* **REPUBLIC OF THE PHILIPPINES, represented by THE REGIONAL EXECUTIVE DIRECTOR, DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES (DENR),** *respondent.*

SYLLABUS

1. REMEDIAL LAW; CIVIL PROCEDURE; JUDGMENTS; *RES JUDICATA*; DOCTRINE OF CONCLUSIVENESS OF JUDGMENT; INAPPLICABLE WHEN THE COURT'S PRONOUNCEMENT IS A MERE *OBITER DICTUM*, FOR IT IS NOT A FINAL OR CONCLUSIVE DECISION ON AN ISSUE OF FACT; CASE AT BAR.— In *Nabus v. CA*, the Court stressed that when a party seeks relief upon a cause of action different from the one asserted by him in a previous one, **the judgment in the former suit is conclusive only as to such points or questions as were actually in issue or adjudicated therein**. However, in *Calalang v. Register of Deeds of Quezon City*, the Court clarified that the bar on re-litigation of a matter or question extends to those questions *necessarily implied* in the final judgment, although no specific finding may have been made in reference thereto, and although those matters were directly referred to in the pleadings and were not actually or formally presented. **"If the record of the former trial shows that the judgment could not have been rendered without deciding a particular matter, it will be considered as having settled that matter as to all future actions between the parties."** Verily, as developed, these principles now embody paragraph (c) of Section 47, Rule 39 of the Rules of Court x x x. [T]he question of whether or not Yap and Villamor are innocent purchasers was not an actual issue of fact in the case before the RTC Branch 13, and which called for said court's adjudication. "An issue of fact is a point supported by one party's evidence and controverted by another's." That Yap and Villamor were buyers in good faith is merely an allegation which was not proven in court. The RTC Branch 13 did not actually make

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any clear pronouncement on the matter. The expropriation proceeding was filed on February 28, 1997. The protestants caused the annotation of a notice of *lis pendens* on the original copy of OCT No. P-11182 on January 27, 1992. Accordingly, if indeed the question on whether Yap and Villamor are buyers in good faith was an actual issue of fact before the expropriation proceeding, the protestants could have easily controverted such claim by the mere expedience of presenting a certified original copy of OCT No. P-11182. Forsooth, the notice at the back of a Torrens title serves as notice to the whole world of the pending controversy over the land so registered. x x x [T]he RTC Branch 13's pronouncement that Yap and Villamor were buyers in good faith was, at best, a mere *obiter dictum*. Contrary to Yap's claim, there was nothing final or conclusive with the decision of the RTC Branch 13 which the CA should be bound.

2. **ID.; EVIDENCE; BURDEN OF PROOF; THE BURDEN OF PROOF TO ESTABLISH THE STATUS OF A PURCHASER AND REGISTRANT IN GOOD FAITH LIES UPON THE ONE WHO ASSERTS IT.—** Time and again, the Court has ruled that the burden of proof to establish the status of a purchaser and registrant in good faith lies upon the one who asserts it. This *onus probandi* cannot be discharged by mere invocation of the legal presumption of good faith. It must be emphasized that aside from the fact that a notice of *lis pendens* was already annotated on OCT No. P-11182 even before Yap and Villamor purchased the subject property, it was also established that when they did so, the said property was still registered in the name of Pagarigan since the Bank did not consolidate its title thereto. **Stated simply, Yap and Villamor purchased the subject property not from the registered owner.**

3. **ID.; ACTIONS; DEFENSES OF ESTOPPEL AND LACHES; INAPPLICABLE IN CASE AT BAR.—** In the instant case, it was established that Pagarigan's FPA was secured on the basis of his fraudulent representations. The respondent cannot be faulted for having been misled into believing that an applicant is legally qualified to be granted free patent as to render it estopped from asserting its right to recover its own property. While the action for reversion was instituted only in 2003, the circumstances leading to the institution of the case hardly spells inaction or neglect on the part of the respondent as to be

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considered guilty of laches. Forsooth, there was no prolonged inaction on the part of the respondent in this case. This can be gleaned in the decision of the DENR Secretary. Shortly after the protestants filed a formal protest with the Bureau on October 24, 1990, the Officer-in-Charge, Regional Executive Director (RED) of the DENR Region XI, Davao City immediately ordered an investigation on November 15, 1990, and the same commenced on November 19, 1990. On February 14, 1994, the RED issued a decision dismissing the protestants' protest. Undaunted, the protestants elevated their case to the Office of the DENR Secretary. On May 15, 1995, the DENR Secretary set-aside the RED's decision and ordered the institution of appropriate action for the cancellation of OCT No. P-11182, and for the reversion of the property covered thereby to the government.

4. CIVIL LAW; PUBLIC LAND ACT; ACTION FOR REVERSION; A FREE PATENT THAT WAS FRAUDULENTLY ACQUIRED, AND THE CERTIFICATE OF TITLE ISSUED PURSUANT TO THE SAME, MAY ONLY BE ASSAILED BY THE GOVERNMENT IN AN ACTION FOR REVERSION.— In the case of *Lorzano v. Tabayag, Jr.*, the Court reiterated that a Torrens title emanating from a free patent which was secured through fraud does not become indefeasible because the patent from whence the title sprung is itself void and of no effect whatsoever. x x x [A] free patent that was fraudulently acquired, and the certificate of title issued pursuant to the same, may only be assailed by the government in an action for reversion, pursuant to Section 101 of the Public Land Act.

APPEARANCES OF COUNSEL

Aldevera Law Office for petitioner.
Office of the Solicitor General for respondent.

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D E C I S I O N

REYES, *J.*:

This is a petition for review on *certiorari*[1] seeking to annul and set aside the Decision[2] dated June 30, 2011 and Resolution[3] dated November 14, 2011 of the Court of Appeals (CA) in CA-G.R. CV No. 01753-MIN which reversed and set aside the Decision[4] dated October 24, 2008 of the Regional Trial Court (RTC) of Davao City, Branch 16, in Civil Case No. 29,705-03, dismissing the complaint for reversion of a parcel of land.

Antecedent Facts

Consuelo *Vda. de* dela Cruz applied for free patent over a parcel of land constituting about 1,292 square meters, designated as Lot No. 9087, Cad. 102, located in Daliao, Toril, Davao City. As she could not wait for the approval of her application, she executed a Deed of Waiver/Quitclaim[5] on November 25, 1981 in favor of Rollie Pagarigan (Pagarigan).[6]

Pagarigan filed his own Free Patent Application (FPA)[7] and subsequently, Free Patent No. (XI-I)5133 was issued to him over said lot. Original Certificate of Title (OCT) No. P-11182[8] was thereby issued in his name on November 25, 1982.[9]

On September 5, 1989, Pagarigan mortgaged the lot to Banco Davao- Davao City Development Bank (the Bank). For failure

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[1] *Rollo*, pp. 20-41.

[2] Penned by Associate Justice Edgardo T. Lloren, with Associate Justices Romulo V. Borja and Carmelita S. Manahan concurring; *id.* at 79-92.

[3] *Id.* at 59-60.

[4] Rendered by Presiding Judge Emmanuel C. Carpio; CA *rollo*, pp. 50-56.

[5] Records, Vol. I, pp. 243-244.

[6] *Rollo*, p. 45.

[7] Records, Vol. I, p. 240.

[8] Records, Vol. II, pp. 434-435.

[9] *Rollo*, p. 45.

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to pay his loan, the property was foreclosed, and was eventually sold to the Bank at public auction on October 26, 1990. These proceedings were duly annotated in the title.[10]

However, the land covered by OCT No. P-11182 was allegedly occupied by Teodoro Valparaiso and Pedro Malalis (protestants). On October 24, 1990, the protestants filed a formal protest with the Bureau of Lands (Bureau). They prayed for the recall of the free patent issued to Pagarigan, and for the institution of a corresponding action for reversion considering that they have been in adverse, exclusive, and continuous occupation of the subject property since 1945, cultivating it, and planting various crops, *nipa* palms and coconut trees on said land.[11]

On January 27, 1992, the protestants caused the annotation of a notice of *lis pendens* in OCT No. P-11182. Assigned as Entry No. 647677, said notice of *lis pendens* pertained to Civil Case No. 20-435-9[12] instituted by the protestants against Pagarigan, Menardo Metran and Rene Galope to enjoin them from demolishing the former's houses pending the determination of the Department of Environment and Natural Resources (DENR) on the propriety of cancelling the title obtained by Pagarigan.[13]

The administrative protest of the protestants reached the Office of the Secretary of the DENR. On May 15, 1995, Secretary Angel C. Alcala rendered a Decision[14] against Pagarigan, the salient portion and the *fallo* of which read as follows:

From the Investigation Reports submitted by both the Department's Regional Office involved and this Office as well as from the other pieces of evidence available, both documentary and testimonial, it

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[10] *Id*.

[11] Records, Vol. I, pp. 245-246.

[12] Complaint for Injunction with Application for the Issuance of Temporary Restraining Order and/or Preliminary Injunction, Damages and Attorney's fees.

[13] *Rollo*, p. 46.

[14] *Id*. at 150-154.

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is obvious that actual fraud and bad faith have been committed by [Pagarigan] in his subject public land application which led to the issuance of the title. The following facts and circumstances are uncontroverted, to wit; that the [protestants] have been in actual occupation of the land in dispute since 1945 and have introduced improvements thereon; that [Pagarigan] never occupied the same nor his predecessor-in-interest, Consuelo dela Cruz, that [Pagarigan] misrepresented in his application that he was the actual occupant and that there were no others who occupied the lot in dispute; that the title was issued sans an actual ground survey; and that [Pagarigan] did not post a copy of his Notice for [FPA] on both the Bulletin Boards of Daliao and Lizardo as required by law.

x x x x x x x x x

WHEREFORE, the instant appeal is hereby given **DUE COURSE** and the subject Decision appealed from **SET ASIDE** and **REVOKED**. Consequently, the Regional Executive Director (RED), DENR Region XI, Davao City, is hereby ordered to institute an action for cancellation of Original Certificate of Title (OCT) No. V-11182 of the Registry of Deeds of Davao City covering Lot No. 9087, Cad-102, and for the reversion of the property covered thereby to the government.

After the cancellation of the subject title and the land already reverted to the government, Regional Executive Director (RED) concerned shall then order the ground survey of the land in dispute and give due course to the public land applications of the [protestants].

SO ORDERED.[15]

Meanwhile, on November 5, 1992, without consolidating title over the land in its name, the Bank sold the subject property to herein petitioner Beverly Anne C. Yap (Yap) and Rosanna F. Villamor (Villamor). Upon the execution of the deed of sale, OCT No. P-11182 was delivered to them and Transfer Certificate of Title No. 366983[16] was eventually issued in the name of Yap and Villamor on December 16, 2003.[17]

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[15] *Id*. at 153-154.

[16] Records, Vol. II, p. 436.

[17] *Rollo*, p. 46.

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On February 28, 1997, the Department of Transportation and Communication filed a complaint for expropriation of a portion of the subject lot before the RTC of Davao City, Branch 13, docketed as Civil Case No. 25,084-97.[18]

On February 19, 2003, the RTC Branch 13 rendered its Decision.[19] Confronted with the issue of who among the claimants shall be entitled to just compensation, the trial court ruled in this wise:

> WHEREFORE, it is the judgment of this court that[:]
>
> 1. The plaintiff is entitled to expropriate the land subject of this case for the purpose of road right of way to the Davao Fish Port, which is for public use;
> 2. The just compensation for the land is **₱278,[000].00**;
> 3. [Villamor and Yap] are the ones entitled to the payment of just compensation for the property subject of this case, and plaintiff is directed to pay the said amount to the said defendants;
> 4. The Commissioner's Fee of **₱3,850.00** shall be paid by plaintiff to Asian Appraisal Company, Inc., and may be deducted from the just compensation for the land being expropriated.
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> This case is now considered closed.
>
> SO ORDERED.[20]

Ruling of the RTC

On May 22, 2003, the respondent, through the Office of the Solicitor General (OSG), filed the Complaint for Cancellation of Patent, Nullification of Title and Reversion with the RTC of Davao City.[21] The case was raffled to Branch 16 thereof.

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[18] *Id*. at 47.

[19] Rendered by Judge Isaac G. Robillo, Jr., *id*. at 154A-157.

[20] *Id*. at 156-157.

[21] Records, Vol. I, pp. 3-11.

On October 24, 2008, the RTC Branch 16 rendered a Decision[22] dismissing the respondent's complaint. The court ruled that since the subject land has already been sold to third persons, it must be shown that the latter were part of the fraud and/or misrepresentation committed by the original grantee, or at least were aware of it. However, since the RTC Branch 13 already declared in its decision in Civil Case No. 25,084-97 that Yap and Villamor were purchasers in good faith and for value of the land in question, RTC Branch 16 maintained that, as a court of co-equal jurisdiction, it is bound by the said finding under the principle of conclusiveness of judgment. Moreover, the fact that it took the respondent 26 years, from the issuance of the free patent before it instituted an action for reversion, militates against its cause. The *fallo* of the trial court's decision reads:

> IN VIEW of the foregoing, judgment is hereby rendered dismissing the instant complaint.
>
> Defendants' [sic] [Bank] and Pagarigan compulsory counterclaim[s] are likewise dismissed in the absence of proof that there was malice or bad faith on [the respondent's] part when it sought the reversion of the property.
>
> The dismissal of the action necessarily carries with it the dismissal of defendant's [sic] [Bank] cross-claim against [Pagarigan].
>
> SO ORD[E]RED.[23]

Ruling of the CA

The respondent elevated its case to the CA. On June 30, 2011, the CA rendered the assailed Decision[24] reversing that of the trial court. In so ruling, the CA adopted the findings of the DENR as to the commission of fraud by Pagarigan in his FPA, and held that neither the Bank nor Yap and Villamor were innocent purchasers for value. Further, the CA maintained that the decision of the RTC Branch 13 did not constitute *res judicata*

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[22] CA *rollo*, pp. 50-56.

[23] *Id*. at 56.

[24] *Rollo*, pp. 79-92.

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insofar as the same has not yet attained finality. The *fallo* of the CA decision reads:

> **WHEREFORE**, We GRANT the appeal and REVERSE the decision of the [RTC]. We declare Free Patent No. (XI-I)5133 and [OCT] No. P-11182 issued in the name of [Pagarigan], and [TCT] No. T-366983 in the name of [Yap] and [Villamor], and all subsequent [TCTs] derived therefrom, as null and void. We order the reversion of Lot 9087, Cad. 102, [l]ocated in Daliao, Toril, Davao City, to the mass of public domain.
>
> **SO ORDERED**.[25]

The Bank,[26] Yap,[27] and Villamor[28] sought reconsideration of the CA decision, but their motion was evenly denied in the Resolution[29] dated November 14, 2011.

Hence this petition filed solely by Yap.

Yap propounds the following assignments of errors:

I. Whether or not the decision of the CA is not in accord with the applicable decision enunciated by the Court in the case of *Spouses Macadangdang v. Spouses Martinez*;[30]

II. Whether or not the CA departed from the rule declared by the Court in the case of *Saad Agro-Industries, Inc. v. Republic of the Philippines*,[31] that in reversion proceedings the same must be proved by clear and convincing evidence, mere preponderance of evidence not even being adequate; and

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[25] *Id*. at 91-92.

[26] CA *rollo*, pp. 194-198.

[27] *Id*. at 174-191.

[28] *Id*. at 201-206.

[29] *Rollo*, pp. 59-60.

[30] 490 Phil. 774 (2005).

[31] 534 Phil. 648 (2006).

III. Whether or not the decision of the CA runs counter to the rule on *res judicata*.[32]

Yap asserts that she and Villamor purchased the subject property in good faith and for value. She maintains that on its face, nothing appears in OCT No. P-11182 indicating that some other person has a right to, or interest over the property covered thereby. As such, there was no obligation on their part to look beyond the certificate of title to determine the legal condition of the concerned property.

Granting that a notice of *lis pendens* was annotated in OCT No. P-11182 filed before the Register of Deeds of Davao City, the same, however, was not offered in evidence and should not have been considered. Accordingly, the presumption that Yap and Villamor were purchasers in good faith and for value was not effectively rebutted.

Moreover, in the case for expropriation heard before the RTC Branch 13, they were already adjudged as innocent purchasers for value. Under the principle of *res judicata,* it was but proper for RTC Branch 16 to uphold said pronouncement. Accordingly, it was an error on the part of the CA to reverse the same.

Invoking the Court's ruling in *Saad Agro-Industries*,[33] Yap asserts that the respondent failed to discharge the burden of proving the alleged fraud and misrepresentation which attended Pagarigan's FPA.

Ruling of the Court

Yap's contentions are untenable.

The decision of the CA does not run counter to the rule on conclusiveness of judgment.

Yap asserts that the CA erred in setting aside the decision of RTC Branch 16 in violation of the rule on *res judicata*. It

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[32] *Rollo*, pp. 23-24.

[33] *Supra* note 31.

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was a finding already made by the RTC Branch 13, a co-equal branch that the land is now in the hands of innocent purchasers for value. Thus, the respondent's complaint for reversion must be dismissed on the basis of the principle of conclusiveness of judgment.

The Court does not agree.

In a catena of cases, the Court discussed the doctrine of conclusiveness of judgment, as a concept of *res judicata* as follows:

> The second concept — conclusiveness of judgment — states that **a fact or question which was in issue in a former suit and was there judicially passed upon and determined by a court of competent jurisdiction, is conclusively settled by the judgment therein as far as the parties to that action and persons in privity with them are concerned and cannot be again litigated in any future action between such parties or their privies, in the same court or any other court of concurrent jurisdiction on either the same or different cause of action, while the judgment remains unreversed by proper authority**. It has been held that in order that a judgment in one action can be conclusive as to a particular matter in another action between the same parties or their privies, it is essential that the issue be identical. If a particular point or question is in issue in the second action, and the judgment will depend on the determination of that particular point or question, a former judgment between the same parties or their privies will be final and conclusive in the second if that same point or question was in issue and adjudicated in the first suit x x x. Identity of cause of action is not required but merely identity of issue.
>
> Justice Feliciano, in *Smith Bell & Company (Phils.), Inc. v. Court of Appeals* x x x, reiterated *Lopez v. Reyes* x x x in regard to the distinction between bar by former judgment which bars the prosecution of a second action upon the same claim, demand, or cause of action, and conclusiveness of judgment which bars the relitigation of particular facts or issues in another litigation between the same parties on a different claim or cause of action.
>
> > The general rule precluding the re-litigation of material facts or questions which were in issue and adjudicated in former action are commonly applied to all matters essentially connected with the subject matter of the litigation. Thus, it extends to

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> questions necessarily implied in the final judgment, although no specific finding may have been made in reference thereto and although such matters were directly referred to in the pleadings and were not actually or formally presented. Under this rule, if the record of the former trial shows that the judgment could not have been rendered without deciding the particular matter, it will be considered as having settled that matter as to all future actions between the parties and if a judgment necessarily presupposes certain premises, they are as conclusive as the judgment itself.[34] (Emphasis and underlining ours, and emphasis in the original deleted)

In *Nabus v. CA*,[35] the Court stressed that when a party seeks relief upon a cause of action different from the one asserted by him in a previous one, **the judgment in the former suit is conclusive only as to such points or questions as were actually in issue or adjudicated therein**.[36] However, in *Calalang v. Register of Deeds of Quezon City*,[37] the Court clarified that the bar on re-litigation of a matter or question extends to those questions *necessarily implied* in the final judgment, although no specific finding may have been made in reference thereto, and although those matters were directly referred to in the pleadings and were not actually or formally presented.[38] "**If the record of the former trial shows that the judgment could not have been rendered without deciding a particular matter, it will be considered as having settled that matter as to all future actions between the parties**."[39] Verily, as developed,

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[34] *Republic of the Philippines v. Mega Pacific eSolutions, Inc., et al.*, G.R. No. 184666, June 27, 2016, citing *Calalang v. Register of Deeds of Quezon City*, 301 Phil. 91, 103-104 (1994); *Rodriguez v. Philippine Airlines, Inc.*, G.R. No. 178501, January 11, 2016, 778 SCRA 334, 376-377; *Facura, et al. v. CA, et al.,* 658 Phil. 554, 587 (2011).

[35] 271 Phil. 768 (1991).

[36] *Id*. at 783-784.

[37] 301 Phil. 91 (1994).

[38] *Id*. at 103-104.

[39] *Republic of the Philippines v. Mega Pacific eSolutions, Inc., et al.*, *supra* note 34.

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these principles now embody paragraph (c) of Section 47, Rule 39 of the Rules of Court, which reads:

(c) In any other litigation between the same parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto.

Guided by the foregoing, the Court finds that RTC Branch 16 falsely appreciated the decision of RTC Branch 13. The Court quotes the pertinent portions of the Decision dated February 19, 2003 of the RTC Branch 13:

THE COURT'S RULING:

CLAIMS OF [THE PROTESTANTS]:

[The protestants] claim that the decision of the Secretary of the DENR in effect conferred ownership of the land to them, so that they should be paid the compensation and not defendants Yap and Villamor. In fact, defendant Malalis had declared the property for taxation purposes, and had paid the taxes thereon from the time they had occupied the land.

[The protestants] alleged that the land subject of this case is still in the name of [Pagarigan], and OCT No. P-11182 has not yet been cancelled and transferred in the names of defendants Yap and Villamor, who never even set foot on the land, nor declared the land for taxation purposes. The alleged sale of [the Bank] of the land to Yap and Villamor did not confer ownership of the land to them, because the land had not been delivered to them by the owner, and they have not exercised ownership over the same. In short their claim of ownership is based on a technicality, and no amount of technicality may serve as a solid foundation for the enjoyment of the fruits of fraud, [the protestants] alleged.

CLAIMS OF DEFENDANTS YAP AND VILLAMOR:

Defendants Yap and Villamor for their part, dispute the claim of [the protestants]. They alleged that they were buyers in good faith of the property, and in fact, the owner's copy of OCT No. P-11182 has been delivered to them by [the Bank]. They alleged that the title which was issued to [Pagarigan] cannot be attacked collaterally as in this case. There should be a case filed in court to annul the title

if indeed the same was fraudulently issued. For as long as the title is not yet declared null and void, the same remains valid, and whoever succeeds to the same is the owner of the land, they alleged. Moreover, since they are purchasers in good faith, and for value, they have a right to be protected, defendants Yap and Villamor alleged.

THE COURT'S RULING:

The Decision of the Secretary of the DENR, in the case cited by [the protestants] cannot justify the court to declare that the title issued to [Pagarigan] is void, and that [the protestants] are the owners of the property in question.

As correctly stated by defendants Yap and Villamor in their Memorandum, a Torrens title cannot be collaterally attacked. The title must be attacked directly in a case filed in court specifically to annul the said title. The alleged fraud in the issuance of OCT No. P-11182 therefore cannot be raised in this case, and the court will not consider the decision of the DENR Secretary to say that the title of [Pagarigan] is void, and that the [protestants] are the owners of the land subject of this case.

Moreover, a Torrens title has the presumption of having been validly issued, and the defendants Yap and Villamor are not expected to look beyond the title to determine its validity. They are purchasers in good faith and for value, and are therefore entitled to the protection of the court.

Contrary to the allegation of [the protestants], there was in fact a valid delivery of the land to defendants Yap and Villamor. The execution of a Deed of Sale in their favor by defendant [Bank], and delivery to them of the owner's copy of OCT No. P-11182 is a constructive delivery of the property sold to them.

Although defendants Yap and Villamor had not taken actual physical possession of the property covered by OCT No. P-11182, the same did not divest them of the ownership of the land covered by the said title. The occupation and possession of [the protestants] of the land in question did not ripen into ownership because their occupation (even in the concept of an owner) cannot defeat a Torrens title. OCT No. P-11182 is presumed to be valid until declared void by the courts.[40]

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[40] *Rollo*, pp. 155-156.

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The foregoing shows that the question of whether or not Yap and Villamor are innocent purchasers was not an actual issue of fact in the case before the RTC Branch 13, and which called for said court's adjudication. "An issue of fact is a point supported by one party's evidence and controverted by another's."[41] That Yap and Villamor were buyers in good faith is merely an allegation which was not proven in court. The RTC Branch 13 did not actually make any clear pronouncement on the matter.

The expropriation proceeding was filed on February 28, 1997. The protestants caused the annotation of a notice of *lis pendens* on the original copy of OCT No. P-11182 on January 27, 1992. Accordingly, if indeed the question on whether Yap and Villamor are buyers in good faith was an actual issue of fact before the expropriation proceeding, the protestants could have easily controverted such claim by the mere expedience of presenting a certified original copy of OCT No. P-11182. Forsooth, the notice at the back of a Torrens title serves as notice to the whole world of the pending controversy over the land so registered.[42]

The RTC Branch 13 basically anchored its judgment on the indefeasibility of a Torrens title. Pursuant to the well-settled rule that a certificate of title cannot be subject to collateral attack and can only be altered, modified, or cancelled in a direct proceeding in accordance with law,[43] it was clear that the trial court was without jurisdiction in an expropriation proceeding, to rule whether the title issued to Pagarigan is void — notwithstanding the decision of the DENR Secretary. Thereupon, since the position of the protestants rests mainly on the validity of Pagarigan's title which cannot be considered in the action, RTC Branch 13, in effect, posited that there was no legal way for it to rule otherwise.

Accordingly, and as similarly advanced by the OSG in its Comment, the RTC Branch 13's pronouncement that Yap and

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[41] Black's Law Dictionary, 8th Ed., p. 849.

[42] Court's First Division Resolution dated July 1, 2015 in G.R. No. 169952 entitled *Nereo J. Paculdo v. Bonifacio C. Regalado*.

[43] *Presidential Decree No. 1529*, Section 48.

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Villamor were buyers in good faith was, at best, a mere *obiter dictum*. Contrary to Yap's claim, there was nothing final or conclusive with the decision of the RTC Branch 13 which the CA should be bound.

Neither the Bank, nor Yap and Villamor were purchasers in good faith and for value. Reversion of subject lot is in order.

"[F]actual findings of administrative or quasi-judicial bodies, which are deemed to have acquired expertise in matters within their respective jurisdictions, are generally accorded not only respect but even finality, and bind the Court when supported by substantial evidence."[44]

The fact that Pagarigan fraudulently secured his free patent was duly established by the investigation conducted by the DENR through Senior Special Investigator Domingo Mendez. The decision of the DENR is very clear in this regard, thus:

> From the Investigation Reports submitted by both the Department's Regional Office involved and this Office as well as from the other pieces of evidence available, both documentary and testimonial, it is obvious that actual fraud and bad faith have been committed by [Pagarigan] in his subject public land application which led to the issuance of the title. **The following facts and circumstances are uncontroverted**, to wit; that the [protestants] have been in actual occupation of the land in dispute since 1945 and have introduced improvements thereon; that [Pagarigan] never occupied the same nor his predecessor-in-interest, Consuelo dela Cruz; that [Pagarigan] misrepresented in his application that he was the actual occupant and that there were no others who occupied the lot in dispute; that the title was issued sans an actual ground survey; and that [Pagarigan] did not post a copy of his Notice for [FPA] on both the Bulletin Boards of Daliao and Lizardo as required by law.[45] (Emphasis ours)

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[44] *Noblado v. Alfonso*, G.R. No. 189229, November 23, 2015, 775 SCRA 178, 187-188.

[45] *Rollo*, p. 153.

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Thus, the DENR ordered for the institution of the present action seeking the cancellation of the certificate of title issued in the name of Pagarigan, and for the reversion of the land covered thereby to the government.

However, as adverted to above, Section 32 of Presidential Decree No. 1529 mandates that for a reversion case to prosper, it is not enough to prove that the original grantee of a patent has obtained the same through fraud; it must also be proven that the subject property has not yet been acquired by an innocent purchaser for value, because fraudulent acquisition cannot affect the titles of the latter.

Henceforth, the ultimate resolution of this case boils down to the determination on whether the subsequent conveyances of the subject lot from Pagarigan were made to innocent purchasers for value. Specifically, based on the records, can we regard the Bank, and thereafter, Yap and Villamor as innocent purchasers for value?

The Court answers in the negative.

Verily, the Court is in full accord with the following disquisitions of the CA on the matter, thus:

> It cannot be overemphasized that [the Bank], being in the business of extending loans secured by real estate mortgage, is familiar with rules on land registration. As such, it was, as here, expected to exercise more care and prudence than private individuals in its dealings with registered lands. Accordingly, given inter alia the suspicion-provoking presence of occupants other than the owner on the land to be mortgaged, it behooved them to conduct a more exhaustive investigation on the history of the mortgagor's title. That appellee Bank accepted in mortgage the property in question notwithstanding the existence of structures on the property and which were in actual, visible, and public possession of persons other than the mortgagor, constitutes gross negligence amounting to bad faith.[46] (Citation omitted)

Yap and Villamor are not innocent purchasers for value.

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[46] *Id*. at 88.

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As pointed out by the CA, the respondent argued that at the time Yap and Villamor purchased the said lot from the Bank, a notice of *lis pendens* was already annotated on OCT No. P-11182; hence, they cannot be considered as innocent purchasers for value. Yap and Villamor, on the other hand, contended that the owner's duplicate copy they received from the Bank did not contain any annotations of encumbrance or liens; hence, they cannot be bound by such annotation.[47]

In the present petition, Yap maintains that the presumption that she and Villamor are buyers in good faith and for value has not been rebutted. She adds that even if it is assumed, for the sake of argument, that their predecessor-in-interest committed fraud and misrepresentation, their title as innocent purchasers and for value will not in any way be affected.[48]

This Court cannot sanction Yap's assertion. Time and again, the Court has ruled that the burden of proof to establish the status of a purchaser and registrant in good faith lies upon the one who asserts it. This *onus probandi* cannot be discharged by mere invocation of the legal presumption of good faith.[49]

It must be emphasized that aside from the fact that a notice of *lis pendens* was already annotated on OCT No. P-11182 even before Yap and Villamor purchased the subject property, it was also established that when they did so, the said property was still registered in the name of Pagarigan since the Bank did not consolidate its title thereto.[50] **Stated simply, Yap and Villamor purchased the subject property not from the registered owner.**

In *Trifonia D. Gabutan, et al. v. Dante D. Nacalaban, et al.*,[51] the Court held that:

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[47] *Id*. at 88-89.

[48] *Id*. at 26.

[49] *Spouses Pudadera v. Magallanes, et al*., 647 Phil. 655, 673 (2010).

[50] *Rollo*, pp. 154A-155.

[51] G.R. Nos. 185857-58, June 29, 2016.

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A buyer for value in good Faith is one who buys property of another, without notice that some other person has a right to, or interest in, such property and pays full and fair price for the same, at the time of such purchase, or before he has notice of the claim or interest of some other persons in the property. He buys the property with the well-founded belief that the person from whom he receives the thing had title to the property and capacity to convey it.

To prove good faith, a buyer of registered and titled land need only show that he relied on the face of the title to the property. He need not prove that he made further inquiry for he is not obliged to explore beyond the four corners of the title. **Such degree of proof of good faith, however, is sufficient only when the following conditions concur: *first*, the seller is the registered owner of the land; *second*, the latter is in possession thereof; and *third*, at the time of the sale, the buyer was not aware of any claim or interest of some other person in the property, or of any defect or restriction in the title of the seller or in his capacity to convey title to the property.**

Absent one or two of the foregoing conditions, then the law itself puts the buyer on notice and obliges the latter to exercise a higher degree of diligence by scrutinizing the certificate of title and examining all factual circumstances in order to determine the seller's title and capacity to transfer any interest in the property. Under such circumstance, it is no longer sufficient for said buyer to merely show that he relied on the face of the title; he must now also show that he exercised reasonable precaution by inquiring beyond the title. Failure to exercise such degree of precaution makes him a buyer in bad faith.[52] (Emphasis and italics in the original)

Verily, as the Court held in a catena of cases:

[T]he law protects to a greater degree a purchaser who buys from the registered owner himself. **Corollarily, it requires a higher degree of prudence from one who buys from a person who is not the registered owner, although the land object of the transaction is registered.** While one who buys from the registered owner does not need to look behind the certificate of title, **one who buys from one who is not the registered owner is expected to examine not**

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[52] *Id*., citing *Spouses Bautista v. Silva*, 533 Phil. 627, 638-639 (2006).

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only the certificate of title but all factual circumstances necessary for him to determine if there are any flaws in the title of the transferor, or in his capacity to transfer the land.

This Court has consistently applied the **stricter rule** when it comes to deciding the issue of good faith of one who buys from one who is not the registered owner, but who exhibits a certificate of title.[53] (Emphasis in the original)

Neither estoppel nor laches lies against the respondent in the present case

Citing the cases of *Saad Agro-Industries*[54] and *Republic of the Philippines v. CA*,[55] the RTC Branch 16 opined that ***in an action for reversion***, the defenses of equitable *estoppel*, laches and Torrens System in land titles are available — without, however, stating that the foregoing also applies in this case, and how.

In any event, neither of said cases is on all fours with the present case. Said cases did not dwell on whether an FPA was granted through the employment of fraud and/or misrepresentation, nor the question of whether the concerned properties were conveyed to innocent purchasers.

In *Saad Agro-Industries*, free patent was alleged to have been mistakenly issued over a property that was claimed by therein respondent as inalienable for being part of a track of land classified as forest land. However, it was established that government has not yet classified the lot in question as forest reserve prior to the issuance of the concerned free patent. Moreover, it was also established that therein subject property was already conveyed to an innocent purchaser for value, Saad Agro-Industries, Inc. before the action for reversion was instituted.

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[53] *Spouses Yu v. Pacleb, et al*. 599 Phil. 354, 366 (2009), citing *Revilla and Fajardo v. Galindez*, 107 Phil. 480, 485 (1960).

[54] *Supra* note 31.

[55] 361 Phil. 319 (1999).

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In *Republic of the Philippines v. CA*,[56] therein petitioner instituted an action to annul the certificates of title that were issued on the basis of a null and void subdivision plan. While therein petitioner sufficiently proved that the actual area of the disputed property was unduly enlarged in the said subdivision plan, it, however, presented no proof that therein respondent committed fraud when it submitted the subdivision plan to the Land Registration Commission for approval. Since the plan was presumed to have been subjected to investigation, study and verification by said commission, there was no one to be blamed except therein petitioner, acting through said body, itself. Thus, for having allowed and approved the subdivision plan, the government was held to be in *estoppel* to question the same, and seek the annulment of titles issued pursuant thereto. Moreover, when the action was instituted, the subdivided properties were already sold to innocent purchasers for value. Additionally, although therein petitioner asserted that the action was instituted to protect the integrity of the Torrens System, it was, however, unjustifiable that it took nearly 20 years before therein petitioner acted on the matter. Verily, therein petitioner's prolonged inaction was held as tantamount to laches.

In the instant case, it was established that Pagarigan's FPA was secured on the basis of his fraudulent representations. The respondent cannot be faulted for having been misled into believing that an applicant is legally qualified to be granted free patent as to render it estopped from asserting its right to recover its own property. While the action for reversion was instituted only in 2003, the circumstances leading to the institution of the case hardly spells inaction or neglect on the part of the respondent as to be considered guilty of laches.

Forsooth, there was no prolonged inaction on the part of the respondent in this case. This can be gleaned in the decision[57] of the DENR Secretary. Shortly after the protestants filed a formal protest with the Bureau on October 24, 1990, the Officer-

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[56] *Id*.

[57] *Rollo*, pp. 150-154.

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in-Charge, Regional Executive Director (RED) of the DENR Region XI, Davao City immediately ordered an investigation on November 15, 1990,[58] and the same commenced on November 19, 1990. On February 14, 1994, the RED issued a decision dismissing the protestants' protest.[59] Undaunted, the protestants elevated their case to the Office of the DENR Secretary. On May 15, 1995, the DENR Secretary set-aside the RED's decision and ordered the institution of appropriate action for the cancellation of OCT No. P-11182, and for the reversion of the property covered thereby to the government.

The instant action does not undermine the indefeasibility of Torrens title

In the case of *Lorzano v. Tabayag, Jr.*,[60] the Court reiterated that a Torrens title emanating from a free patent which was secured through fraud does not become indefeasible because the patent from whence the title sprung is itself void and of no effect whatsoever. Thus:

> Once a patent is registered and the corresponding certificate of title is issued, the land covered thereby ceases to be part of public domain and becomes private property, and the Torrens Title issued pursuant to the patent becomes indefeasible upon the expiration of one year from the date of such issuance. However, a title emanating from a free patent which was secured through fraud does not become indefeasible, precisely because the patent from whence the title sprung is itself void and of no effect whatsoever.[61]

On this point, the Court's ruling in *Republic v. Heirs of Felipe Alejaga, Sr.*[62] is instructive:

> True, once a patent is registered and the corresponding certificate of title [is] issued, the land covered by them ceases to be part of the

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[58] Records, Vol. I, p. 247.

[59] *Id*. at 150.

[60] 681 Phil. 39 (2012).

[61] *Id*. at 52-53.

[62] 441 Phil. 656 (2002).

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public domain and becomes private property. Further, the Torrens Title issued pursuant to the patent becomes indefeasible a year after the issuance of the latter. However, this indefeasibility of a title does not attach to titles secured by fraud and misrepresentation. Well-settled is the doctrine that the registration of a patent under the Torrens System does not by itself vest title; it merely confirms the registrant's already existing one. Verily, registration under the Torrens System is not a mode of acquiring ownership.[63] (Citations omitted)

A fraudulently acquired free patent may only be assailed by the government in an action for reversion

Nonetheless, a free patent that was fraudulently acquired, and the certificate of title issued pursuant to the same, may only be assailed by the government in an action for reversion, pursuant to Section 101 of the Public Land Act. In *Sherwill Development Corporation v. Sitio Sto. Niño Residents Association, Inc.*,[64] the Court pointed out that:

It is also to the public interest that one who succeeds in fraudulently acquiring title to a public land should not be allowed to benefit therefrom, and the State should, therefore, have an even existing authority, thru its duly-authorized officers, to inquire into the circumstances surrounding the issuance of any such title, to the end that the Republic, thru the Solicitor General or any other officer who may be authorized by law, may file the corresponding action for the reversion of the land involved to the public domain, subject thereafter to disposal to other qualified persons in accordance with law. In other words, the indefeasibility of a title over land previously public is not a bar to an investigation by the Director of Lands as to how such title has been acquired, if the purpose of such investigation is to determine whether or not fraud had been committed in securing such title in order that the appropriate action for reversion may be filed by the Government.[65]

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[63] *Id*. at 674.

[64] 500 Phil. 288 (2005).

[65] *Id*. at 299-300, citing *Republic of the Philippines v. CA*, 262 Phil. 677, 685 (1990).

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WHEREFORE, the petition is hereby **DENIED**. The Decision dated June 30, 2011 and Resolution dated November 14, 2011 of the Court of Appeals in CA-G.R. CV No. 01753-MIN are **AFFIRMED**.

SO ORDERED.

Velasco, Jr. (Chairperson), Peralta,[*] *Bersamin,* and *Tijam, JJ.,* concur.

FIRST DIVISION

[G.R. No. 206891. March 15, 2017]

ERNESTO BROWN, *petitioner, vs.* **MARSWIN[*] MARKETING, INC., and SANY[**] TAN, represented by BERNADETTE S. AZUCENA,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; CIVIL PROCEDURE; APPEALS; PETITION UNDER RULE 45 OF THE RULES OF COURT; ONLY QUESTIONS OF LAW MAY BE RAISED THEREIN; EXCEPTION; PRESENT IN CASE AT BAR.— As a rule, the Court is not a trier of facts and only questions of law may be raised in a petition under Rule 45 of the Rules of Court. A departure from this rule is nevertheless allowed where the factual findings of the CA are contrary to those of the lower courts or tribunals. In this case, the findings of the CA vary with those of the NLRC and LA. As such, the Court deems it necessary to review the records and determine which findings and conclusion truly conform with the evidence adduced by the parties.

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[*] Designated additional Member per Raffle dated February 15, 2017 vice Associate Justice Francis H. Jardeleza.

[*] Mars Win in some parts of the records.

[**] Spelled in some parts of the records as Sonny.