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The payment of the ₱30.00 monthly living allowance due Anita Decena under Republic Act No. 5753 as petitioner's dependent is ordered effective from the date that the application for the same was approved by the respondent Administrator.

SO ORDERED.

Teehankee, C.J., Yap, Fernan, Narvasa, Melencio-Herrera, Gutierrez, Jr., Cruz, Paras, Gancayco, Padilla, Bidin, and *Sarmiento, JJ.*, concur.

Feliciano, J., on leave.

FIRST DIVISION

[G.R. Nos. L-45492 & L-45493. May 29, 1987]

ERNESTO ASUNCION, *petitioner*, *vs.* **HON. COURT OF APPEALS, ARSENIO MUNEZ, ANASTACIA DE CLARO *VDA. DE* MUNEZ, CONCHITA, VIVIAN, NILDA, DELIA, RUFINO, JR., REYNALDO, ANGELITO, all surnamed MUNEZ; RODOLFO MUNEZ, ANTONIO MUNEZ, MARIA JOSEFA MUNEZ, CRISANTA MUNEZ, TAMBIS and ELISEO TINDOGAN**, *respondents.*

SYLLABUS

1. CIVIL LAW; SPECIAL CONTRACTS; SALE; WHEN ENTERED INTO WAS ONE OF SALE. — We find no basis to support the Appellate Court conclusion that the agreement entered into between petitioner, on the one hand, and GORGONIO and EUGENIO, on the other, was one of lease and not a sale. The Affidavit of Transfer of Rights executed by the latter two is

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unambiguous and requires no interpretation. It was executed regularly with the formalities required by law. It had a valid consideration — the amount of ₱600.00 and the assumption of all obligations which remained unpaid by GORGONIO with the Land Settlement Administration, later the Board of Liquidators. If the agreement had been one of lease, rentals should have been demanded by GORGONIO and EUGENIO during the span of eight (8) years from 1957, the year of the execution of the agreement, to 1965 when the first suit for annulment of contract against petitioner was filed but neither GORGONIO nor EUGENIO ever did. As opined by the Trial Court, either one or both of them could have instituted an action for unlawful detainer based on the alleged contract of lease for non-payment of rent, but did not. Their inaction or silence betrays the emptiness of their claim. We find it likewise significant that GORGONIO, the original awardee, did not join EUGENIO in his suit against petitioner, which would have been only logical if, in reality, transfer of rights over the Farmlot in question was but fiction.

2. ID.; CONTRACTS; ANNULMENT OF; AGREEMENT IN QUESTION NOT HAVING BEEN VOID *AB INITIO*, THE ACTION FOR ANNULMENT OF CONTRACT ON THE GROUND OF FRAUD WAS NOT IMPRESCRIPTIBLE.— The agreement in question not having been void *ab initio*, the action for annulment of contract on the ground of fraud was not imprescriptible. It had to be filed within four (4) years from the discovery of the fraud, in this case, within four (4) years from the execution of the contract in 1957 since EUGENIO alleges that it did not reflect the true intention of the parties, or, as the Trial Court had found, at least from 1958 when their "supposed lessor did not pay the rental," or from May 16, 1958, the last day of posting of the Notice of Application, or from August 18, 1959 when petitioner registered the document as a pre-requisite before he was issued a tax declaration.

3. ID.; ID.; ID.; REGISTRATION IS NOTICE TO THE WHOLE WORLD AND PRIVATE RESPONDENTS MUST BE DEEMED TO HAVE ACQUIRED CONSTRUCTIVE NOTICE BY REGISTRATION OF THE DOCUMENT.— Registration is notice to the whole world and private respondents must be deemed to have acquired constructive notice, at the very least, by the

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registration of the document. In this case, suit was instituted only in 1965 way beyond the four-year period prescribed by law reckoned from any of the dates previously mentioned. EUGENIO's illiteracy would not alter this conclusion inasmuch as he did not execute the Affidavit singly but jointly with GORGONIO, who neither raised any voice of protest. Besides, private respondents never rebutted petitioner's testimony that at the time of the execution of the Transfer of Rights before the Notary Public, GORGONIO and EUGENIO were with him and were relating with the Notary Public in the Visayan dialect, but which petitioner did not understand. It can be assumed that prior to notarization, the Notary Public, in the regular performance of his duties, would have verified from the affiants themselves the veracity of the contents of their Affidavit.

4. ID.; LACHES; DEEMED TO HAVE SET IN CASE AT BAR. — Laches must also deemed to have set in as the law protects only the vigilant. Unreasonable delay in seeking to enforce a right is not only persuasive of want of merit but may, according to the circumstance, be destructive of the right itself. For eight (8) years from the execution of Transfer of Rights in 1957, EUGENIO slept on his rights. Nor did he even attempt to comply with his responsibilities as an awardee, full payment of GORGONIO's account having been paid by petitioner to the Board of Liquidators only on April 26, 1965. EUGENIO, through his son, paid the amount of ₱398.00 to the Board of Liquidators as "full payment of administration fees and allocation fees for Farmlot No. 1295, Pls 247-D, South Cotabato" only on September 28, 1970, or five (5) years after the institution of the first suit.

5. ID.; ID.; RATIONALE. — It is not a mere question of time either, but also a matter of inequity and unfairness if we were to permit a right or claim to be enforced after such an unreasonable length of time "Courts can not look with favor at parties who, by their silence, delay and inaction, knowingly induce another to spend time, effort and expense in cultivating the land, paying taxes and making improvements therein for 30 long years, only to spring from ambush and claim title when the possessor's efforts and the rise of land values offer an opportunity to make easy profit at his expense."

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DECISION

MELENCIO-HERRERA, *J.*:

A Petition for Review on *Certiorari* of the Joint Decision of respondent Court of Appeals in CA-G.R. Nos. 49876 and 49877-R reversing the judgment of the Court of First Instance appealed to it and instead:

> x x x declaring null and void the transfer of rights (Annex A, Complaint); the free patent application of the defendant (petitioner herein) as well as the patent and the Original Certificate of Title No. (P-25722) P-9882 issued by the Register of Deeds of the province of Cotabato to the defendants (petitioner herein). The defendants are hereby ordered to reconvey and surrender peacefully the parcel of land subject of this litigation (Farm Lot No. 2113 (formerly 1295 Pls-209-D-11]) to plaintiffs (the private respondents herein); to pay the latter attorney's fees in the amount of ₱2,000.00 and to pay the costs."

In 1941, Farmlot No. 2113 (formerly No. 1295) with an area of 12 hectares, more or less, located at Aquino Gate, Polomolok, Cotabato (the Farmlot, for short), was allocated to GORGONIO Munez, as a settler, by the National Land Settlement Administration (Exhibit "2"). After liberation, however, because of lack of water, GORGONIO abandoned the Farmlot and left for Davao leaving it under the care of EUGENIO Munez, his uncle. In 1949, the Farmlot was allocated to EUGENIO by the National Land Settlement Administration (Exhibits "A", "B", "C", "D", "E" and "G"). In 1955, GORGONIO returned to Polomolok, Cotabato and to the Farmlot.

On January 23, 1957, GORGONIO, as the original awardee, and EUGENIO, as the subsequent allocatee, executed in favor of petitioner, an Affidavit of Transfer of Rights over the Farmlot for ₱600.00 plus the assumption of all subsisting obligations with the National Land Settlement Administration. Said Affidavit reads in full as follows:

> "We, Gorgonio Munez, Filipino, of legal age, married and resident of Polomolok, General Santos, Cotabato, and Eugenio Munez, Filipino, likewise of legal age, married and resident of Bulan, General Santos,

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Cotabato, after having been duly sworn to in accordance with law, depose and say:

That Gorgonio Munez was the original Assignee of Farmlot No. 2113 (formerly 1295), Pls-209-B-11, with an area of 12 hectares, situated in Polomolok, General Santos, Cotabato;

That he had been in occupation of said lot from 1941 when it was assigned to him by the NLSA up to 1953, cultivating it continuously during such period;

That when he went out of the Settlement in 1953, his brother EUGENIO MUNEZ, took possession of the above-mentioned lot in view of his occupation from 1953 up to the present time;

That although GORGONIO MUNEZ was the original Assignee, has also recognized the interest of EUGENIO MUNEZ over the aforementioned lot in view of his occupation from 1953 up to the present time;

That they have decided to transfer or quit-claim their right, interest, and participation over the lot and in fact, have done so in favor of ERNESTO S. ASUNCION who is qualified to acquire lands in the Philippines under our Public Land Law, for and in consideration of the amount of SIX HUNDRED (₱600.00) PESOS, with the condition that said ERNESTO S. ASUNCION assumes whatever obligation still subsists on the lot with the Settlement Administration, which is now taken over by the Board of Liquidators with reference to the obligation of the settlers.

AFFIANTS FURTHER SAY NOT.

(Sgd.) Gorgonio Munez
(TW) GORGONIO MUNEZ

SIGNED IN THE PRESENCE OF:

Illegible — His Right

Illegible — EUGENIO MUNEZ
Thumb Mark

The document was subscribed and sworn to before Notary Public Bautista B. Casquejo at General Santos, Cotabato.

On May 2, 1958, petitioner filed an application for Free Patent with the Bureau of Lands specifically naming "GORGONIO

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MUNEZ and EUGENIO MUNEZ" as his predecessors and attaching the Affidavit of Transfer of Rights in his favor. On May 3, 1958, Notice of Application for Free Patent was given, copy of which was "posted in a conspicuous place on the land applied for, on the bulletin board of the *barrio* where the land is located and at the door of the Municipal Building, and remained so posted until the 16th day of May, 1958" (Exhibit "J"). On August 18, 1959, petitioner declared that Farmlot for taxation purposes and on August 31, 1959, he paid the real property taxes. He also planted mango trees and other seasonal products such as rice, corn and potatoes on the said Farmlot. In 1964, he constructed an apartment worth between ₱20,000.00 and ₱30,000.00. And on April 26, 1965, he paid for the balance of the account of GORGONIO in the amount of ₱445.14, this time, with the Board of Liquidators.

It appears that sometime in January 1965, EUGENIO's children went to the Bureau of Lands to verify the status of the Farmlot and allegedly to their surprise, they discovered that GORGONIO and EUGENIO had purportedly executed an Affidavit of Transfer of Rights in petitioner's favor and that based thereon, the latter had filed an application for Free Patent for the Farmlot through fraud and misrepresentation.

On March 1, 1965, claiming fraud in that the document to which he affixed his thumbmark on January 23, 1957 was only a contract of lease and not a transfer of rights, EUGENIO and his spouse Victoria, filed a Complaint for Annulment of Contract and Recovery of Possession and Damages against petitioner before the then Court of First Instance in South Cotabato, docketed as Civil Case No. 568. Upon the death of the spouses, their heirs, herein private respondents, were substituted in their stead.

On May 6, 1965, the Director of Lands approved petitioner's application for Free Patent and directed the issuance of Patent No. 300666 in petitioner's favor (Exhibits "J", "K", "L-3", "4" and "2-A"). On May 31, 1965, Original Certificate of Title No. P-25722 was issued in petitioner's name by the Register of Deeds of Cotabato, (Exhibit "5").

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Having become aware of the issuance of that title, private respondents filed another Complaint on September 22, 1965, this time for Reconveyance and/or Declaration of Nullity of OCT No. P-9882 (P-25722) and/or Cancellation of Title and Damages against petitioner, docketed as Civil Case No. 1084.

Resolving the twin cases, on June 29, 1971, the Trial Court dismissed both Complaints finding that the transaction between petitioner, on the one hand, and GORGONIO and EUGENIO, on the other, was in reality one of sale and not of lease since, if it were the latter, respondents would have demanded payment of the rental or sued petitioner for unlawful detainer for non-payment of rent: that it would have been absurd for petitioner, who is a medical practitioner, if the land had only been leased to him, to have planted on the land fruit trees like mangoes, and to have constructed an apartment worth between ₱20,000.00 and ₱30,000.00; that assuming the existence of fraud in the transaction, the cause of action had prescribed because private respondent could have discovered the fraud at least in 1958 when petitioner failed to pay the rent; that the Complaint was filed only on March 1, 1965, or more than four (4) years from 1958, which is beyond the four-year-period prescribed by law; that granting that prescription does not lie, the cause of action is barred by laches as, over an eight-year-period, private respondents never demanded the payment of rental from petitioner.

On appeal, however, respondent Appellate Court[1] reversed the lower Court on the ground that the Affidavit of Transfer of Rights allegedly executed by GORGONIO and EUGENIO was null and void from the beginning as it had not received the previous approval of the Secretary of Agriculture as required by Section 11 of Commonwealth Act No. 691[2] nor by the

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[1] Justice Godofredo P. Ramos (*Ponente*), concurred in by Justices Conrado M. Vasquez and Venicio Escolin.

[2] "Sec. 11. If at any time after the approval of the application but before the title is issued, the applicant should prove, to the satisfaction of the Director of Lands, that the said applicant has complied with all the requirements of the law, but that it is impossible for him to continue with

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Secretary of Labor under Act No. 4197(d);[3] that the said Affidavit was not intended to be a transfer of rights but as a contract of lease; that there is no showing that the document was actually interpreted to EUGENIO, he being an illiterate; that the Affidavit states that GORGONIO and EUGENIO are brothers when, in truth and in fact, they are nephew and uncle, respectively; that if the Affidavit had been properly read to EUGENIO and he had actually understood it that error could have been corrected by him; that the claim of prescription will not prosper because the defense of non-existence of contract does not prescribe; that the doctrine of indefeasibility of title does not operate because the certificate of title was issued on the basis of a fraudulent document and both title and the free patent were issued while the case was pending and the respective rights of the parties had not yet been judicially determined.

We are constrained to reverse, finding as we do no basis to support the Appellate Court conclusion that the agreement entered into between petitioner, on the one hand, and GORGONIO

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the cultivation of the land, through no fault of his, and that there exists a purchaser in good faith of the rights to and improvements made by the applicant on said land, and that the transfer is not being made for speculative purposes, the applicant, upon approval of the Secretary of Agriculture and Commerce, may transfer his rights to the land and improvements thereon to any person having legal qualifications to apply for it; and immediately after the transfer is made, the purchaser shall file an application for the cultivation of the said land, and he shall succeed into the rights and obligations of his predecessor from the date on which said application of the buyer is approved. Whoever has so transferred his rights cannot apply for the cultivation of a new lot of land under this Act. Any transfer made without previous approval of the Secretary of Agriculture and Commerce is null and void, and shall cause the cancellation of the application and the issuance of the title shall be denied."

[3] "Act No. 4197 x x x

(d) Any transfer of the land and any contract relative to it shall be approved by the Secretary of Labor and recorded in the office of the local register of deeds, subject to the conditions prescribed in this Act. Any sale of the land shall be null and void unless the settler, his heirs or assigns, have paid the entire indebtedness to the Government before the transfer is made in accordance with this section."

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and EUGENIO, on the other, was one of lease and not a sale. The Affidavit of Transfer of Rights executed by the latter two is unambiguous and requires no interpretation. It was executed regularly with the formalities required by law. It had a valid consideration — the amount of ₱600.00 and the assumption of all obligations which remained unpaid by GORGONIO with the Land Settlement Administration, later the Board of Liquidators. If the agreement had been one of lease, rentals should have been demanded by GORGONIO and EUGENIO during the span of eight (8) years from 1957, the year of the execution of the agreement, to 1965 when the first suit for annulment of contract against petitioner was filed but neither GORGONIO nor EUGENIO ever did. As opined by the Trial Court, either one or both of them could have instituted an action for unlawful detainer based on the alleged contract of lease for non-payment of rent, but did not. Their inaction or silence betrays the emptiness of their claim. We find it likewise significant that GORGONIO, the original awardee, did not join EUGENIO in his suit against petitioner, which would have been only logical if, in reality, transfer of rights over the Farmlot in question was but fiction.

Admittedly, the assignment of rights to petitioner had not been priorly approved by the Secretary of Agriculture and Natural Resources. Under the environmental circumstances, however, it may not be declared void *ab initio*. The Affidavit of Transfer of Rights was before the said official when petitioner filed his Application for Free Patent. In fact, that Affidavit formed the basis of petitioner's Application for Free Patent (Exhibit "I" and "3"). Said official, who took over from the Board of Liquidators the function of disposing of the farm lots in the settlement area where the Farmlot is situated, could have voided the transfer and caused the cancellation of the Application for Free Patent outright, but did not. Instead, the very same official, who was to pass upon the Transfer of Rights, approved, signed and issued petitioner's Free Patent Application based thereon and authorized the issuance of title in petitioner's favor.

The agreement in question not having been void *ab initio*, the action for annulment of contract on the ground of fraud

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was not imprescriptible. It had to be filed within four (4) years from the discovery of the fraud (Art. 1391, Civil Code), in this case, within four (4) years from the execution of the contract in 1957 since EUGENIO alleges that it did not reflect the true intention of the parties, or, as the Trial Court had found, at least from 1958 when their "supposed lessor did not pay the rental," or from May 16, 1958, the last day of posting of the Notice of Application, or from August 18, 1959 when petitioner registered the document as a pre-requisite before he was issued a tax declaration. Registration is notice to the whole world and private respondents must be deemed to have acquired constructive notice, at the very least, by the registration of the document.[4] In this case, suit was instituted only in 1965 way beyond the four-year period prescribed by law reckoned from any of the dates previously mentioned. EUGENIO's illiteracy would not alter this conclusion inasmuch as he did not execute the Affidavit singly but jointly with GORGONIO, who neither raised any voice of protest. Besides, private respondents never rebutted petitioner's testimony that at the time of the execution of the Transfer of Rights before the Notary Public, GORGONIO and EUGENIO were with him and were relating with the Notary Public in the Visayan dialect, but which petitioner did not understand.[5] It can be assumed that prior to notarization, the Notary Public, in the regular performance of his duties, would have verified from the affiants themselves the veracity of the contents of their Affidavit.

Laches must also deemed to have set in as the law protects only the vigilant. Unreasonable delay in seeking to enforce a right is not only persuasive of want of merit but may, according to the circumstance, be destructive of the right itself.[6] For eight (8) years from the execution of Transfer of Rights in 1957, EUGENIO slept on his rights. Nor did he even attempt to comply with his responsibilities as an awardee, full payment of

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[4] See *Bautista vs. Fule*, 85 Phil. 391 (1950).

[5] T.s.n., March 4, 1971, p. 169.

[6] *Edralin vs. Edralin*, 1 SCRA 222 (1961).

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GORGONIO's account having been paid by petitioner to the Board of Liquidators only on April 26, 1965 (Exhibit "2-A"). EUGENIO, through his son, paid the amount of ₱398.00 to the Board of Liquidators as "full payment of administration fees and allocation fees for Farmlot No. 1295, Pls 247-D, South Cotabato" only on September 28, 1970 (Exhibit "F"), or five (5) years after the institution of the first suit. Neither EUGENIO nor his heirs declared the land for taxation purposes or pay the taxes thereon. Nor were GORGONIO and EUGENIO settlers in point of fact. GORGONIO himself testified that after he returned to Polomolok in 1955, he rented out the Farmlot to one Monte Alto in 1956, and after him to Mr. Abria.[7] The evidence of private respondents that EUGENIO was cultivating the Farmlot is wavering and unconvincing.

It is not a mere question of time either, but also a matter of inequity and unfairness if we were to permit a right or claim to be enforced after such an unreasonable length of time.

"Courts can not look with favor at parties who, by their silence, delay and inaction, knowingly induce another to spend time, effort and expense in cultivating the land, paying taxes and making improvements therein for 30 long years, only to spring from ambush and claim title when the possessor's efforts and the rise of land values offer an opportunity to make easy profit at his expense."[8]

In contrast, petitioner's conduct was consistent with the terms of the transfer. After its execution, he took possession of the Farmlot and cultivated it, filed an Application for Free Patent and pursued it to a successful conclusion, declared it for taxation purposes and paid taxes thereon annually.

There is, thus, basis for the Trial Court's observations that the development of the area through the establishment of a pineapple cannery by DOLE Philippines, by happenstance in front of the Farmlot at about the time when the first suit was instituted, must have revived and spurred EUGENIO's interest

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[7] T.s.n., March 23, 1970, pp. 88-90.

[8] *Miguel vs. Catalino*, 26 SCRA 235 (1968).

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in the property, hence, his attempt to repudiate the clear terms of the Affidavit he and GORGONIO had executed. That attempt was "opportunistic and cannot deserve judicial imprimatur."

In fine, under the law and equity of the case we find that, contrary to the conclusions of the Appellate Court, private respondents have not satisfied the quantum of proof necessary to establish their entitlement to the annulment of the Affidavit of Transfer of Rights, the voidance of the application for, and the Free Patent subsequently issued, the cancellation of the title in petitioner's favor, much less to a judgment of reconveyance of the Farmlot in question.

WHEREFORE, the judgment under review is hereby REVERSED and SET ASIDE, and the Decision of the Court of First Instance of Cotabato, dated June 29, 1971, in its Civil Cases Nos. 568 and 1084 is hereby reinstated. No costs.

SO ORDERED.

Yap (Chairman), Narvasa, Cruz, Feliciano, Gancayco, and *Sarmiento, JJ.*, concur.

FIRST DIVISION

[G.R. No. L-46980. May 29, 1987]

AUGUSTO BALDE, *petitioner*, *vs.* **HON. COURT OF APPEALS and the PEOPLE OF THE PHILIPPINES**, *respondents*.