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from July 1, 2013 until fully paid. Respondent shall submit to the Court proof of restitution within ten (10) days from payment.

Let all the courts, through the Office of the Court Administrator, as well as the IBP and the Office of the Bar Confidant, be notified of this Decision and be it entered into respondent's personal record.

**SO ORDERED.**

*Carpio*[*] (*Chairperson*), *Perlas-Bernabe, Caguioa,* and *Reyes, Jr., JJ.,* concur.

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**FIRST DIVISION**

[G.R. No. 197743. March 12, 2018]

**HEIRS OF JOSE MARIANO and HELEN S. MARIANO, represented by DANILO DAVID S. MARIANO, MARY THERESE IRENE S. MARIANO, MA. CATALINA SOPHIA S. MARIANO, JOSE MARIO S. MARIANO, MA. LENOR S. MARIANO, MACARIO S. MARIANO and HEIRS OF ERLINDA MARIANO-VILLANUEVA, represented in this act by IRENE LOURDES M. VILLANUEVA through her ATTORNEY-IN-FACT EDITHA S. SANTUYO and BENJAMIN B. SANTUYO,** *petitioners, vs.* **CITY OF NAGA,** *respondent.*

**SYLLABUS**

**1. CIVIL LAW; CIVIL CODE; MODES OF ACQUIRING OWNERSHIP; DONATION; TO BE VALID, A DONATION OF REAL PROPERTY MUST BE MADE IN A PUBLIC INSTRUMENT.—** Generally, contracts are obligatory in

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[*] Acting Chief Justice per Special Order No. 2539 dated February 28, 2018.

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whatever form they may have been entered into, provided all the essential requisites for their validity are present. However, when the law requires that a contract be in some form to be valid, such requirement is absolute and indispensable; its non-observance renders the contract void and of no effect. One such law is Article 749 of the Civil Code of the Philippines x x x. [D]onation of real property, which is a solemn contract, is void without the formalities specified in the x x x provision. Article 749 of the Civil Code requires that donation of real property must be made in a public instrument to be valid.

**2. ID.; ID.; OBLIGATIONS AND CONTRACTS; VOID CONTRACTS; A DEED OF DONATION WHICH IS NOT MADE IN A PUBLIC INSTRUMENT IS A VOID CONTRACT AND HAS NO FORCE AND EFFECT FROM THE VERY BEGINNING.—** The purported Deed of Donation submitted by the City cannot be considered a public document. While it contains an Acknowledgment before a notary public, the same is manifestly defective as it was made neither by the alleged donors (Macario and Gimenez) and their respective spouses, or by the donee (the City, through Mayor Imperial), but only by Eusebio M. Lopez, Faustino Dolor, Soledad Lirio Dolor and Lopez, Jr., as the Subdivision's President, Vice President, Secretary and General Manager, respectively. x x x Said Deed also shows that Mayor Imperial affixed his signature thereon on August 21, 1954, or four days after it was notarized, thus he could not have acknowledged the same before the notary public on August 16, 1954. Verily, the notary public could not have certified to knowing the parties to the donation, or to their execution of the instrument, or to the voluntariness of their act. This glaring defect is fatal to the validity of the alleged donation. It is settled that a defective notarization will strip the document of its public character and reduce it to a private instrument. Not being a public document, the purported Deed of Donation is void. A void or inexistent contract has no force and effect from the very beginning, as if it had never been entered into. It is equivalent to nothing and is absolutely wanting in civil effects. It cannot be validated either by ratification or prescription. Void contracts may not be invoked as a valid action or defense in any court proceeding, including an ejectment suit.

**3. ID.; LAND REGISTRATION; CERTIFICATE OF TITLE; A PERSON WHO HAS A TORRENS TITLE OVER A**

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**PARCEL OF LAND IS ENTITLED TO POSSESSION THEREOF AND THE REGISTERED OWNER HAS A SUPERIOR RIGHT TO POSSESS THE PROPERTY IN AN UNLAWFUL DETAINER CASE.—** The Court has consistently upheld the registered owners' superior right to possess the property in unlawful detainer cases. A fundamental principle in land registration is that the certificate of title serves as evidence of an indefeasible and incontrovertible title to the property in favor of the person whose name appears therein. It is conclusive evidence as regards ownership of the land therein described, and the titleholder is entitled to all the attributes of ownership of the property, including possession. Thus, the Court has time and again reiterated the age-old rule that the person who has a Torrens title over a parcel of land is entitled to possession thereof. It has likewise been constantly emphasized that when the property is registered under the Torrens system, the registered owner's title to the property is presumed legal and cannot be collaterally attacked, especially in a mere action for unlawful detainer. It has even been held that it does not even matter if the party's title to the property is questionable. Furthermore, it has been held that a certificate of title has a superior probative value as against that of an unregistered deed of conveyance in ejectment cases.

4. **ID.; SUBDIVISION REGULATIONS; ROADS AND OPEN SPACES IN SUBDIVISIONS; LOCAL GOVERNMENTS DO NOT AUTOMATICALLY BECOME THE OWNER OF ROADS AND OPEN SPACE IN SUBDIVISIONS WITHIN THEIR JURISDICTION, SUCH THAT A POSITIVE ACT OF CONVEYANCE IS NECESSARY TO VEST OWNERSHIP IN THE CITY OR MUNICIPALITY.—** [T]he City cannot successfully invoke the Subdivision Regulations as basis to demand vested proprietary rights over the subject property. Contrary to its position that roads as well as open space in subdivisions instantly belong to the government without need of compensation or any overt act of donation, the Subdivision Regulations indicate that local governments did not automatically become the owner of roads and open space in subdivisions within their jurisdiction and a positive act of conveyance or dedication was necessary to vest ownership in the city or municipality x x x. Parenthetically, even under PD 957, specifically Section 31, it was optional on the part of the owner or developer of the subdivision to donate the roads and

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open space found therein. Furthermore, under PD 1216, "(t)he-transfer of ownership from the subdivision owner-developer to the local government is not automatic but requires a positive act from the owner-developer before the city or municipality can acquire dominion over the subdivision roads," such that "until and unless the roads are donated, ownership remains with the owner-developer."

**5. ID.; CIVIL CODE; PROPERTY, OWNERSHIP, AND ITS MODIFICATIONS; OWNERSHIP; BUILDER IN GOOD FAITH; REFERS TO ONE WHO IS NOT AWARE THAT THERE EXISTS IN HIS TITLE OR MODE OF ACQUISITION ANY FLAW WHICH INVALIDATES IT.—** By law, one is considered in good faith if he is not aware that there exists in his title or mode of acquisition any flaw which invalidates it. The essence of good faith lies in an honest belief in the validity of one's right, ignorance of a superior claim, and absence of intention to overreach another. By these standards, the City cannot be deemed a builder in good faith. x x x The x x x circumstances ineluctably show that the City knew of a substantial flaw in its claim over the subject property. x x x It cannot, thus, be said that the City was of an honest belief that it had a valid right to the subject property or that its actions had not overreached the landowners. Accordingly, it cannot be considered to have acted in good faith. x x x Thus, petitioners, as hereditary successors of the registered owners of the subject property, have the right to appropriate what has been built on the property, without any obligation to pay indemnity therefor, and the City has no right to a refund of any improvement built therein.

**6. REMEDIAL LAW; EVIDENCE; PRESENTATION OF EVIDENCE; EVIDENCE NOT OBJECTED TO IS DEEMED ADMITTED AND MAY BE VALIDLY CONSIDERED BY THE COURT IN ARRIVING AT ITS JUDGMENT.—** It is well-settled that evidence not objected to is deemed admitted and may be validly considered by the court in arriving at its judgment. This is true even if by its nature the evidence is inadmissible and would have surely been rejected if it had been challenged at the proper time. Once admitted without objection, even though not admissible under an objection, We are not inclined now to reject it. Consequently, the evidence that was not objected to became property of the

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case, and all parties to the case are considered amenable to any favorable or unfavorable effects resulting from the said evidence.

**7. ID.; ACTIONS; ACTION TO RECOVER POSSESSION OF REGISTERED LAND; DOES NOT PRESCRIBE AND THE RULE ON IMPRESCRIPTIBILITY OF REGISTERED LANDS NOT ONLY APPLIES TO THE REGISTERED OWNER BUT EXTENDS TO THE HEIRS OF THE REGISTERED OWNER AS WELL.—** The rule is that an action to recover possession of a registered land never prescribes in view of the provision of Section 44 of Act No. 496 to the effect that no title to registered land in derogation of that of a registered owner shall be acquired by prescription or adverse possession. It follows that a registered owner's action to recover a real property registered under the Torrens System does not prescribe. Thus, it has been consistently held that registered owners have the right to evict any person unlawfully occupying their property, and this right is imprescriptible and can never be barred by laches. Even if it be supposed that they were aware of the occupant's possession of the property, and regardless of the length of that possession, the lawful owners have a right to demand the return of their property at any time as long as the possession was unauthorized or merely tolerated, if at all. Moreover, it is well settled that the rule on imprescriptibility of registered lands not only applies to the registered owner but extends to the heirs of the registered owner as well. As explained in *Mateo v. Diaz*, prescription is unavailing not only against the registered owner, but also against his hereditary successors because the latter step into the shoes of the decedent by operation of law and are the continuation of the personality of their predecessor-in-interest.

**8. ID.; CIVIL PROCEDURE; SPECIAL CIVIL ACTIONS; UNLAWFUL DETAINER; IN AN UNLAWFUL DETAINER CASE, THE RIGHTFUL POSSESSOR IS ENTITLED TO THE RETURN OF THE PROPERTY AND TO RECOVER DAMAGES.—** [T]he rightful possessor in an unlawful detainer case is entitled to the return of the property and to recover damages, which refer to "rents" or "the reasonable compensation for the use and occupation of the premises," or the "fair rental value of the property" and attorney's fees and costs. More specifically, recoverable damages are "those which the plaintiff

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could have sustained as a mere possessor, or those caused by the loss of the use and occupation of the property."

**9. ID.; ID.; ID.; ID.; ID.; REASONABLE COMPENSATION; PARTAKES OF THE NATURE OF ACTUAL DAMAGES.** — [T]he reasonable compensation contemplated in Section 17, Rule 70 "partakes of the nature of actual damages." While the court may fix the reasonable amount of rent, it must base its action on the evidence adduced by the parties. The Court has defined "fair rental value" as the amount at which a willing lessee would pay and a willing lessor would receive for the use of a certain property, neither being under compulsion and both parties having a reasonable knowledge of all facts, such as the extent, character and utility of the property, sales and holding prices of similar land and the highest and best use of the property. x x x The fair rental value is to be reckoned from the time of the demand to vacate.

**10. ID.; ID.; ID.; ID.; A JUDGMENT DIRECTING A PARTY TO DELIVER POSSESSION OF PROPERTY BINDS ONLY THE PARTIES PROPERLY IMPLEADED AND DULY HEARD OR GIVEN AN OPPORTUNITY TO BE HEARD; EXCEPTIONS.—** "A judgment directing a party to deliver possession of a property to another is *in personam*. x x x Any judgment therein is binding only upon the parties properly impleaded and duly heard or given an opportunity to be heard. However, **this rule admits of the exception, such that even a non-party may be bound by the judgment in an ejectment suit** where he is any of the following: (a) trespasser, squatter or agent of the defendant fraudulently occupying the property to frustrate the judgment; (b) guest or **occupant of the premises with the permission of the defendant**; (c) transferee *pendente lite*; (d) sublessee; (e) co-lessee; or (f) member of the family, relative or **privy of the defendant**." Exceptions (b) and (f) are clearly applicable. There is no dispute that the government offices were allowed by the City to occupy the subject property. Deriving their possession from the City, they are unmistakably the City's privies in the occupation of the premises. Thus, they too are bound by the judgment in this case.

**APPEARANCES OF COUNSEL**

*Marlito I. Villanueva Law Office* for petitioners.
*Naga City Legal Officer* for respondent.
*Cadiz Tabayoyong & Partners Law Offices,* co-counsel for respondent.

**D E C I S I O N**

**TIJAM, *J.*:**

This is a Petition for Review on *Certiorari*, filed under Rule 45 of the Rules of Court, assailing the July 20, 2011 Amended Decision[1] rendered by the Court of Appeals (CA) in CA-G.R. SP No. 90547 which reconsidered its March 7, 2011 Decision,[2] annulling the June 20, 2005 Decision[3] of the Regional Trial Court (RTC), Branch 26 of Naga City in Civil Case No. RTC 2005-0030, and reinstating the February 14, 2005 Decision[4] of the Municipal Trial Court (MTC), Branch 1 of Naga City in Civil Case No. 12334 dismissing the ejectment case instituted by petitioners.

**The Facts**

As culled by the CA from the records, the facts of the case are as follows:

On July 3, 1954, Eusebio M. Lopez, Sr., Soledad L. Dolor, Jose A. Gimenez and Eusebio Lopez, Jr. (Lopez Jr.), as the President, Secretary, Treasurer and General Manager of the City Heights Subdivision (Subdivision), respectively, wrote to the mayor of the City of Naga (City), offering to construct the

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[1] Penned by Associate Justice Franchito N. Diamante and concurred in by Associate Justices Josefina Guevara-Salonga and Mariflor P. Punzalan Castillo. *Rollo*, pp. 97-115.

[2] *Id*. at 117-141.

[3] Penned by Presiding Judge Filemon B. Montenegro., *id*. at 439-465.

[4] Penned by Presiding Judge Jose P. Nacional, *id*. at 434-438.

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Naga City Hall within the premises of the Subdivision. Their letter indicated that the City Hall would be built on an area of not less than two hectares within the Subdivision, which would be designated as the open space reserved for a public purpose. The letter, which also indicated the terms of the construction contract, provided that the City would be free to accept another party's offer to construct the City Hall if it found the same to be more favorable.[5]

The City's Municipal Board subsequently passed Resolution No. 75, dated July 12, 1954, asking the Subdivision for a bigger area on which the City Hall would stand. Consequently, on July 30, 1954, the Subdivision amended its offer and agreed to donate five hectares to the City. The area is a portion of the land registered in the names of Macario Mariano (Macario) and Jose A. Gimenez (Gimenez) under Transfer Certificate of Title (TCT) No. 671 of the Registry of Deeds for Naga City, measuring a total of 22.9301 hectares. Along with its amended offer to construct the City Hall, the Subdivision specified the terms of its proposal to finance the construction.[6]

The amended offer was signed by Macario and Gimenez to indicate their "(c)onforme," and by their respective spouses, Irene P. Mariano (Irene) and Rose Fitzgerald De Gimenez (through one Josie A. Gimenez), to indicate their marital consent.[7]

On August 11, 1954, the Municipal Board adopted Resolution No. 89 accepting the Subdivision's offer of donation and its proposed contract. The Resolution also authorized the City Mayor to execute the deed of donation on the City's behalf.[8]

The parties submitted divergent accounts on what happened after Resolution No. 89 was passed.

According to the City, the City Mayor of Naga, Monico Imperial (Mayor Imperial), and the registered landowners,

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[5] *Id*. at 119.

[6] *Id.* at 120.

[7] *Id*.

[8] *Id*. at 121.

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Macario and Gimenez, executed a Deed of Donation[9] on August 16, 1954, whereby the latter donated five hectares of land (subject property), two hectares of which to be used as the City Hall site, another two hectares for the public plaza, and the remaining hectare for the public market. By virtue of said Deed, the City entered the property and began construction of the government center. It also declared the five-hectare property in its name for tax purposes.[10] Thereafter, the Land Transportation Office (LTO), the National Bureau of Investigation (NBI), the Department of Labor and Employment (DOLE), the Philippine Postal Corporation (PPC), the Fire Department and other government agencies and instrumentalities entered the same property and built their offices thereon.[11]

In contrast, petitioners averred that the landowners' plan to donate five hectares to the City did not materialize as the contract to build the City Hall was not awarded to the Subdivision. As early as August 23, 1954, Lopez Jr., the Subdivision's General Manager, supposedly wrote to Macario telling him to suspend the signing of the deed of donation as the Municipal Board could not agree on the specific site where the City Hall would be built. Petitioners alleged that the construction contract was eventually awarded by the Bureau of Public Works (BPW) to a local contractor, Francisco O. Sabaria (Sabaria), who won in a public bidding. Mayor Imperial opposed the award, arguing that he and not the BPW had the authority to initiate the public bidding for the project. The BPW, however, asserted its authority to bid out and award the contract on the ground that national funds would be used for the project. Mayor Imperial and Sabaria litigated the issue, with the former losing before the trial court and subsequently withdrawing his appeal before the CA. Afterwards, the Municipal Board adopted Resolution No. 11 dated January 20, 1959 authorizing the City Mayor to enter into a contract with Sabaria for the construction of the City Hall.[12]

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[9] *Id*. at 315-316.

[10] *Id*. at 214.

[11] *Id*. at 215.

[12] *Id*. at 215.

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Petitioners claimed that on February 5, 1959, Macario and officers of the Subdivision met with Mayor Imperial to demand the return of the five-hectare lot as the condition for the donation was not complied with. Mayor Imperial purportedly assured them that the City would buy the property from them. The purchase, however, did not materialize. Petitioners alleged that ten years later, or on May 14, 1968, Macario wrote to Lopez Jr., instructing him to make a follow-up on the City's payment for the subject lot. On December 2, 1971, Macario died without receiving payment from the City.[13]

In 1976, a certain Tirso Mariano filed an action for partition of Macario's estate. The action was opposed by Macario's widow, Irene, and their adopted children, Jose (Jose) and Erlinda (Erlinda) Mariano. As an offshoot of this action, a petition to annul Jose and Erlinda's adoption was instituted.[14]

Irene died in 1988. Jose died the following year which was also when his and Erlinda's adoption was declared valid and legal by the appellate court. In 1994, Irene's marriage to one Rolando Reluccio (Reluccio) was declared bigamous and void *ab initio*. And after a protracted litigation, Jose, then represented by his heirs, and Erlinda were declared as Irene's heirs to the exclusion of Reluccio who was also declared to be without right to represent Irene in Macario's estate.[15]

On March 11, 1997, the probate court issued letters of administration to one of the petitioners herein, Danilo David S. Mariano (Danilo), for the administration of Irene's estate. In September 2003, Danilo demanded upon then City Mayor of Naga, Jesse M. Robredo, to vacate and return the subject property. When the City did not comply, petitioners, as heirs of Jose and Erlinda, filed a Complaint[16] for unlawful detainer against the City, docketed as Civil Case No. 12334.[17]

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[13] *Id*. at 22.

[14] *Id*. at 78.

[15] *Id*. at 78-79.

[16] *Id*. at 363-376.

[17] *Id*. at 79.

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**The Unlawful Detainer Case**

In their Complaint, filed on February 12, 2004,[18] petitioners asked the MTC to order the City and all agencies, instrumentalities or offices claiming rights under it, including the LTO, NBI, DOLE, PPC and the Fire Department, to vacate the subject property, shown in the Sketch Plan as Blocks 25 and 26 (LRC) Psd-9674, and to return possession thereof to them. In addition to attorney's fees, they asked the City to pay them a monthly rental of ₱ 2.5 million from the date it received the demand to vacate until it surrendered possession, as reasonable compensation for the use of the property.[19]

Arguing that the issue involved is one of ownership, the City moved to dismiss the complaint for lack of jurisdiction.[20] After the MTC denied the motion on March 22, 2004,[21] the City filed its Answer.[22] The parties subsequently submitted their respective Position Papers[23] and evidence.[24]

Petitioners averred that there was no donation of the subject property to the City as the obligation to donate on the part of Macario and Gimenez, conditioned on the Subdivision undertaking the construction of the City Hall therein, was abrogated when the City eventually awarded the construction contract to Sabaria. Petitioners further alleged that Macario thereafter demanded the return of the property but was assured by Mayor Imperial that the City would buy the same. The purchase, however, never materialized despite Macario's supposed reminder to Mayor Imperial of his assurance. Petitioners, thus, argued that the City's possession of the subject

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[18] *Id*. at 363 and 461.

[19] *Id*. at 373-376.

[20] *Id*. at 13, 444 and 566.

[21] *Id*.

[22] *Id*. at 14 and 377-384.

[23] *Id*. at 251-277 and 385-424.

[24] *Id*. at 14-15 and 221.

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property was by mere tolerance which ceased when they required its return.[25]

The City countered that the donation actually took place, as evidenced by a Deed of Donation dated August 16, 1954, making the City the owner and lawful possessor of the subject property. This was supposedly why the subject property had long been declared in the City's name for tax purposes. Granting there was no donation, the City stressed that ownership of the premises automatically vested in it when they were designated as open spaces of the subdivision project, donation thereof being a mere formality. The City also argued that since the property was already occupied by several government offices for about 50 years, recovery thereof was no longer feasible and the landowners may simply demand just compensation from the City. The City further contended that the complaint was dismissible on the grounds of laches and prescription. In any case, the City averred that it could not be ejected from the premises as it possessed the rights of a builder in good faith.[26]

Petitioners in turn denied that laches had set in because Macario supposedly made a demand for the City to return the property, and subsequently, to abide by Mayor Imperial's commitment to purchase the same. Furthermore, as heirs of Macario and Irene, they themselves sought to recover the subject property after learning of their rights thereto through Danilo who collated Irene's properties following his appointment as administrator of her estate.[27]

Petitioners also argued that title to the property, which remained registered in the names of Macario and Gimenez, was indefeasible and could not be lost by prescription or be defeated by tax declarations. They further asserted that the requirement of open space in the subdivision for public use was already satisfied with the landowners' donation of road lots, measuring

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[25] *Id*. at 400-405.

[26] *Id*. at 261-269.

[27] *Id*. at 405-407.

120,280 square meters, to the City as annotated on TCT No. 671. They posited that Presidential Decree (PD) No. 957,[28] enacted in 1976, as amended by PD No. 1216,[29] which defined "open space," should not be applied because it was not yet in effect when the subdivision plan was approved in 1962.[30]

Petitioners contended that the City was a builder in bad faith because it continued to construct the City Hall and allowed other government agencies to build their offices on the subject property, knowing that the donation had been aborted when the condition therefor was not fulfilled and that its avowed purchase of the property was not forthcoming.[31]

**The MTC's Ruling**

In its February 15, 2005 Decision, the MTC gave weight to the Deed of Donation.[32] Nonetheless, it dismissed the complaint on the ground of lack of jurisdiction. It reasoned that the City's defense, which involved a claim of ownership, removed the issue from the case of unlawful detainer.[33]

**The RTC's Ruling**

On the City's appeal, the RTC set aside the MTC's dismissal. The dispositive portion of the RTC's June 20, 2005 Decision reads as follows:

WHEREFORE, premises considered [petitioners] having proved and convinced this Court by preponderance of evidence that the lower court committed a serious and reversible error in rendering the herein

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[28] REGULATING THE SALE OF SUBDIVISION LOTS AND CONDOMINIUMS, PROVIDING PENALTIES FOR VIOLATIONS THEREOF. Approved July 12, 1976.

[29] DEFINING "OPEN SPACE" IN RESIDENTIAL SUBDIVISIONS AND AMENDING SECTION 31 OF PRESIDENTIAL DECREE NO. 957 REQUIRING SUBDIVISION OWNERS TO PROVIDE ROADS, ALLEYS, SIDEWALKS AND RESERVE OPEN SPACE FOR PARKS OR RECREATIONAL USE. Approved October 14, 1977.

[30] *Id*. at 407-412.

[31] *Id*. at p. 416.

[32] *Id*. at 131 and 437.

[33] *Id.* at 125 and 438.

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assailed decision, accordingly, the DECISION dated February 14, 2005 of the Court a quo is hereby REVERSED and SET ASIDE. Consequently, decision is hereby rendered in favor of [petitioners] and against [respondent] ORDERING the latter of the following:

(1) For the [respondent] City Government of Naga, including all other government instrumentalities, agencies and offices claiming right of possession through and under it which are but not limited to Land Transportation Office, National Bureau of Investigation, Department of Labor and Employment, Philippine Postal Corporation, Fire Department and all other offices and buildings which are all claiming rights under [respondent] to immediately vacate the subject properties, Blocks 25 and 26 (LRC) Psd-9674 forming part of TCT No. 671 in the name of Macario A. Mariano and Jose A. Gimenez, and to peacefully surrender and deliver its physical possession to the [petitioners], including all the improvements and structures erected thereon which were built in bad faith as they are now forfeited in favor of plaintiffs-appellants;

(2) For the [respondent] to pay [petitioners] the amount of ₱2,500,000.00 per month by way of reasonable compensation for the use and occupancy of the property in question reckoned from November 30, 2003 until such time that the [respondent] shall have actually vacated the subject property;

(3) For the [respondent] to pay [petitioners] Attorney's fees in the amount of ₱587,159.60; and

(4) For the [respondent] to pay the cost of the suit.

SO ORDERED.[34]

The RTC held that the MTC could have resolved the issue of ownership if only to resolve the issue of possession. It ruled against the existence of the Deed of Donation, purportedly acknowledged before a notary public for Manila, finding that the award of the construction contract to Sabaria released Macario and Gimenez from the obligation to execute said deed. Furthermore, the fact that the subject property remained registered in Macario and Gimenez's names and no annotation of the purported donation was ever inscribed on the title proved that

[34] *Id*. at 464.

the City recognized that its possession was by mere tolerance of the landowners. This finding, said the RTC, was bolstered by the Certification[35] issued on August 27, 2003 by the Records Management Archive Office of the National Archives that it had no record of such Deed, and a similar Certification[36] from the Office of the Clerk of Court of the Manila RTC as repository of notarial reports of notaries public for Manila. The RTC also noted that the purported Deed of Donation was unsigned by the donors and indicated merely the letters "SGD" opposite their names.[37]

The RTC explained that since the subject land was titled under the Torrens system in the name of Macario and Gimenez, the tax declaration in the City's name could not prevail, and the property could not be subject of acquisitive prescription. It also held that petitioners were not guilty of laches, noting the several cases they had to file to establish their right to inherit from, and to recover or preserve the estate of, Macario and Irene, as well as Danilo's discovery of the subject property as part of the latter's estate following the issuance to him of letters of administration over Irene's estate in 1997. Finally, the RTC agreed with petitioners that the road lots donated to the City in 1963 satisfied the requirement of open space in the subdivision at that time, and that the City was a builder in bad faith.[38]

The City moved for the Presiding Judge's inhibition on the ground of bias. Subsequently, it also filed a motion for reconsideration of the June 20, 2005 Decision with a motion for new trial based on newly discovered evidence[39] consisting of additional documents purportedly showing that the subject property was already donated to the City.[40] On July 15, 2005, the RTC issued an Order denying said motions.[41]

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[35] RTC Records, p. 386.

[36] *Rollo*, p. 354.

[37] *Id*. at 125-126 and 451-452.

[38] *Id*. at 126-127, 453-454, 457-458 and 460.

[39] *Id*. at 127.

[40] *Id*. at 222.

[41] *Id*. at 28 and 127-128.

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**The CA's March 7, 2011 Decision**

Partly granting the City's appeal, the CA *inter alia* directed the City to pay only half of the monthly rental, which it reduced to ₱500,000, because the subject property was co-owned by Macario and Gimenez. The dispositive portion of the CA's Decision reads:

***IN VIEW OF ALL THE FOREGOING***, the instant petition for review is ***PARTIALLY GRANTED***.

The assailed Decision dated June 20, 2005 rendered by the Regional Trial Court (RTC) of Naga City (Branch 26), in Civil Case No. RTC 2005-0030 (*For*: Ejectment) is hereby **MODIFIED** in that:

(1) The City of Naga is hereby ***ORDERED*** to pay to the respondents as heirs of Don Macario Mariano **half** of the adjudged monthly rental for the use and enjoyment of the questioned property, or in the amount of Two Hundred Fifty Thousand Pesos (Php250,000.00), for the period November 3, 2003 until the City of Naga finally vacates that portion it has been occupying, or until such time when the City expropriates the same private property;

(2) The portion of the assailed Decision where all the other government instrumentalities and agencies, including but not limited to the Land Transportation Office, National Bureau of Investigation, Department of Labor and Employment, Philippine Postal Corporation, Fire Department, Municipal Trial Court, Regional Trial Court, which office buildings are standing on the lot in question, are ordered to immediately vacate therefrom as well as to deliver the physical possession of the improvements and structures they have introduced thereat to the Heirs of Don Macario Mariano, is ***DELETED*** because these other government instrumentalities and agencies are **not** parties to the case in the court below; *and*

(3) The award of attorney's fees in favor of the Heirs of Don Macario Mariano is reduced to Two Hundred Thousand Pesos (Php200,000.00) on equitable grounds.

All other aspects of the assailed Decision dated June 20, 2005 and Order dated July 15, 2005 are hereby ***affirmed***.

***SO ORDERED.***[42]

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[42] *Id*. at 139-140.

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In reaching this decision, the CA ratiocinated that:

> [T]here could be no donation of the subject five (5) hectares of land by the landowners, DON MACARIO and Jose Gimenez (or GIMENEZ) to the City of Naga because the donee failed to present the original deed of donation before the trial court, and did not give a satisfactory explanation of the loss of the same. As against the Letter dated May 14, 1968 written by DON MACARIO instructing Eusebio Lopez, Sr., then City Heights Subdivision President, to do a follow-up of the City's proposal to buy the five (5) hectare-lot, We held the latter document to be a conclusive proof that the donation that DON MACARIO and the City of Naga intended was not consummated.[43]

**The CA's July 20, 2011 Amended Decision**

Both parties moved for reconsideration of the CA's March 7, 2011 Decision.[44] After a re-examination of the case records and the evidence adduced by the parties, the CA, on July 20, 2011, rendered an Amended Decision, the dispositive portion of which reads:

> ***WHEREFORE*** **,** premises considered , the Motion for Recondition filed by the City Of Naga is ***GRANTED.***
>
> Our Decision promulgated on March 7, 2011 is ***RECONSIDERED***. Accordingly, the Decision dated June 20, 2005 of the Regional Trial Court (RTC) of Naga City (Branch 26), in Civil Case No. RTC 2005-0030 (*For:* Ejectment), is ***ANNULLED*** and ***SET ASIDE,*** and the Decision dated February 14, 2005 rendered by the Municipal Trial Court (MTC) of Naga City (Branch), in Civil Case No. 12334, is hereby ***REINSTATED*** without prejudice to the filing either party of an action regarding the ownership of the property involved.
>
> On the other hand, the Motion for Reconsideration filed by the Heirs of Don Macario Mariano of Our Decision dated March 7, 2011 is ***DENIED.***
>
> ***SO ORDERED.***[45]

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[43] *Id*. at 102.

[44] *Id*. at 98.

[45] *Id*. at 113-114.

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In so ruling, the CA held that pursuant to the best evidence rule under Section 3, Rule 130 of the Rules of Court, the photocopy of the letter dated May 14, 1968 was inadmissible and without probative value in the absence of a clear showing that the original writing was lost or destroyed. As an exception to the best evidence rule, the CA excused the City's failure to present the original Deed of Donation on the basis of the June 11, 2004 Certification issued by the Office of the Clerk of Court of the RTC-Manila that the Deed could not be found in its records as the Notarial Reports of Atty. Vicente M. Magpoc, before whom the instrument was acknowledged, for the period January 12, 1953 to December 31, 1954, could not be located and must have been destroyed by water spillage during the fire that razed their office on November 18, 1981. According to the CA, secondary evidence of the Deed could be admitted because it had been satisfactorily shown, through the Certification, that the Deed was lost due to *force majeure*, thus, without bad faith on the part of the offeror.

The CA further held that "the following secondary documents on record sufficiently confirmed the existence, execution and contents of the subject deed of donation," to wit:

(a) Letter dated July 3, 1954 of the President, Secretary, Treasurer and General Manager of the City Heights Subdivision (in the persons of Eusebio M. Lopez, Sr., Soledad L. Dolor, Jose A. Gimenez and Eusebio Lopez, Jr.) to the mayor of Naga expressing their offer to construct the Naga City Hall within the premises of not less than two (2) hectares of the Subdivision (Exhibit "1");

(b) Resolution No. 75 dated July 12, 1954 issued by the Municipal Board of Naga (then a municipality) requesting for a bigger area of land where the City Hall would stand, from the Subdivision (Exhibit "2");

(c) Letter dated July 30, 1954 of the Subdivision to the City amending its original offer and agreeing to donate a portion of five (5) hectares. Also, in this Letter, the Subdivision elaborated on its offer to finance the construction of the same building and specified the terms of such financing contract (Exhibit "3");

(d) Resolution No. 89 dated August 11, 1954 where the then Municipal Board resolved to accept the Subdivision's offer of donation

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and of the financing contract to construct the government center, and at the same time, to authorize the Mayor to enter into a final deed of donation in behalf of the then municipality (Exhibit "4");

(e) Letter dated November 26, 1955 of the then City Mayor of Naga, Hon. Monico Imperial, to the Naga City Planning Board indicating the fact of donation of the same parcel of land by the Subdivision to the City (Exhibit "30");

(f) Letter dated March 6, 1968 of DON MACARIO referring to the open spaces of the Subdivision having been donated to the City of Naga (Exhibit "18");

(g) Letter dated September 6, 1970 of Hon. Virginia F. Perez, Vice-Mayor and Presiding Officer, indicating the existence of a Deed of Donation and the fact of Donation (Exhibit "6").[46]

The CA thus concluded that the existence and due execution of the Deed of Donation had been duly established, warranting the dismissal of the ejectment case. The CA also found that petitioners' claim was barred by laches, noting that the City had been in open, public and adverse possession of the subject property for 49 years at the time the ejectment case was filed.

The appellate court, however, emphasized that the case being one for unlawful detainer, its judgment was conclusive only as to possession, and its disquisition on the claim of ownership was merely provisional and without prejudice to a separate and independent action respecting title to the land.

Dissatisfied with the CA's Amended Decision, petitioners filed the instant petition for review.

Petitioners pray for the reinstatement of the RTC's Decision, asserting that in admitting secondary evidence of the Deed of Donation, the CA misapplied Section 5, Rule 130 and Section 19, Rule 132 of the Rules, Article 749 of the Civil Code, and Sections 245, 246 and 247 of the Notarial Law. Petitioners fault the CA for allegedly disregarding their evidence which received no objection from the City. Finally, petitioners impugn the CA's

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[46] *Id*. at 107-108.

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finding that they were guilty of laches, insisting that the City's possession was by mere tolerance.[47]

**The Court's Ruling**

Petitions for review under Rule 45 should cover only questions of law[48] as this Court is not a trier of facts.[49] However, the incongruent factual conclusions of the MTC and the CA on the one hand, and the RTC on the other, compel us to revisit the factual circumstances of the case for the proper dispensation of justice.[50]

The sole issue for resolution in an unlawful detainer case is physical or material possession of the property involved, independent of any claim of ownership by any of the parties – possession *de facto* and not possession *de jure*.[51] When the defendant, however, raises the defense of ownership in his pleadings and the question of possession cannot be resolved without deciding the issue of ownership, the issue of ownership shall be resolved only to determine the issue of possession,[52] or more particularly, to determine who between the parties has the better right to possess the property.[53] Nonetheless, the adjudication is merely provisional and would not bar or prejudice an action between the same parties involving title to the property.[54]

In this case, the City, as the defendant in the unlawful detainer case, asserted ownership over the subject property by virtue of an alleged donation made in 1954 by the landowners in its favor. In support of this claim, the City proffered a copy of a Deed of Donation dated August 16, 1954.

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[47] *Id*. at 44-45.

[48] *Go v. Looyuko, et al.,* 713 Phil. 125 (2013).

[49] *Sps. Dela Cruz v. Sps.Capco*, 729 Phil. 624, 633 (2014).

[50] *Id*. at 633.

[51] *Id*. at 637.

[52] *Go v. Looyuko*, *et al*., *supra*, at 131.

[53] *Sps. Dela Cruz v. Sps. Capco*, *supra*, at 637.

[54] *Id*.

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***Purported donation lacked the formalities required for validity***

Generally, contracts are obligatory in whatever form they may have been entered into, provided all the essential requisites for their validity are present. However, when the law requires that a contract be in some form to be valid, such requirement is absolute and indispensable; its non-observance renders the contract void and of no effect.[55] One such law is Article 749 of the Civil Code of the Philippines which requires that:

> Art. 749. **In order that the donation of an immovable may be valid, it must be made in a public document**, specifying therein the property donated and the value of the charges which the donee must satisfy.
>
> The acceptance may be made in the same deed of donation or in a separate public document, but it shall not take effect unless it is done during the lifetime of the donor.
>
> If the acceptance is made in a separate instrument, the donor shall be notified thereof in an authentic form, and this step shall be noted in both instruments. (Emphasis ours)

Thus, donation of real property, which is a solemn contract, is void without the formalities specified in the foregoing provision.[56]

Article 749 of the Civil Code requires that donation of real property must be made in a public instrument to be valid. In *Department of Education, Culture and Sports (DECS) v. Del Rosario*,[57] We stated:

> **A deed of donation acknowledged before a notary public is a public document. The notary public shall certify that he knows the person acknowledging the instrument and that such person is the same person who executed the instrument, acknowledging that the instrument is his free act and deed**. The acceptance may be made in the same deed of donation or in a separate instrument. An acceptance made in a separate instrument must also be in a public

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[55] *Abellana v. Sps. Ponc*e, 481 Phil. 125, 135 (2004).

[56] *Dept. of Education, Culture and Sports v. Del Rosario*, 490 Phil. 193, 202 (2005).

[57] *Id.*

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document. If the acceptance is in a separate public instrument, the donor shall be notified in writing of such fact. Both instruments must state the fact of such notification.[58] (Emphasis ours)

The purported Deed of Donation submitted by the City cannot be considered a public document. While it contains an Acknowledgment before a notary public, the same is manifestly defective as it was made neither by the alleged donors (Macario and Gimenez) and their respective spouses, or by the donee (the City, through Mayor Imperial), but only by Eusebio M. Lopez, Faustino Dolor, Soledad Lirio Dolor and Lopez, Jr., as the Subdivision's President, Vice President, Secretary and General Manager, respectively. The Acknowledgment thus reads:

REPUBLIC OF THE PHILIPPINES)
IN THE CITY OF MANILA ) s.s.
x - - - - - - - - - - - - - - - - - - - - - - x

BEFORE ME, this 16th day of August, 1954, in the City of Manila, Philippines, personally appeared **EUSEBIO M. LOPEZ**, with Res. Cert. No. A-0232064, issued at Manila, on Feb. 24, 1954; **FAUSTINO DOLOR**, with Res. Cert. No. A-0295133, issued at Manila on Feb. 7, 1954; **SOLEDAD LIRIO DOLOR**, with Res. Cert. No. A-4782271, issued at Pasay City on July 27, 1954; and **EUSEBIO LOPEZ, JR.**, with Res. Cert. No. A-476353, issued at Naga City on July 8, 1954, all known to me and to me known to be the same persons who executed the foregoing instrument and they acknowledged to me that the same is their free act and voluntary deed.

This instrument relating to a Deed of Donation consist two pages only, including this page on which this acknowledgement is written and have been signed by the parties on each and every page thereof.

WITNESS MY HAND AND SEAL, the day, year, and place first above written.

Doc. No. 201; Page No. 70;
Book No. VI; Series of 1954

(SGD) VICENTE M. MAGPOC
Notary Public
Until December 31, 1954[58]

(Emphasis ours)

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[58] *Id*. at 202-203.

[58] *Rollo*, p. 316.

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Said Deed also shows that Mayor Imperial affixed his signature thereon on August 21, 1954, or four days after it was notarized, thus he could not have acknowledged the same before the notary public on August 16, 1954. Verily, the notary public could not have certified to knowing the parties to the donation, or to their execution of the instrument, or to the voluntariness of their act. This glaring defect is fatal to the validity of the alleged donation. It is settled that a defective notarization will strip the document of its public character and reduce it to a private instrument.[59]

Not being a public document, the purported Deed of Donation is void.[60] A void or inexistent contract has no force and effect from the very beginning,[61] as if it had never been entered into.[62] It is equivalent to nothing and is absolutely wanting in civil effects. It cannot be validated either by ratification or prescription.[63]

Void contracts may not be invoked as a valid action or defense in any court proceeding, including an ejectment suit.[64] Thus:

> In *Spouses Alcantara v. Nido,* which involves an action for unlawful detainer, the petitioners therein raised a defense that the subject land was already sold to them by the agent of the owner. The Court rejected their defense and held that the contract of sale was void because the agent did not have the written authority of the owner to sell the subject land.
>
> Similarly, in *Roberts v. Papio*, a case of unlawful detainer, the Court declared that the defense of ownership by the respondent therein was untenable. The contract of sale invoked by the latter was void

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[59] *Adelaida Meneses (deceased) v. Venturozo*, 675 Phil. 641, 652 (2011); *The Heirs of Victorino Sarili v. Lagrosa*, 724 Phil. 608, 619 (2014).

[60] *Department of Education, Culture and Sports v. Del Rosario*, *supra*, at 202.

[61] *Fuentes, et al. v. Rosa, et al.*, 633 Phil. 9, 20 (2010), *Fullido v. Grilli*, G.R. No. 215014, February 29, 2016, 785 SCRA 278, 293.

[62] *Fullido v. Grilli*, *supra*, at 293.

[63] *Tan, Jr. v. Hosana*, G.R. No. 190846, February 3, 2016, 783 SCRA 87, 99.

[64] *Fullido v. Grilli*, *supra*, at 294.

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because the agent did not have the written authority of the owner. A void contract produces no effect either against or in favor of anyone.

In *Ballesteros v. Abion*, which also involves an action for unlawful detainer, the Court disallowed the defense of ownership of the respondent therein because the seller in their contract of sale was not the owner of the subject property. For lacking an object, the said contract of sale was void *ab initio*.[65]

Since void contracts cannot be the source of rights, the City has no possessory right over the subject property.[66] In this light, to resolve whether to admit the copy of the purported Deed of Donation as secondary evidence will be futile as the instrument in any case produces no legal effect.

***Circumstances controverting the City's right of possession based on the alleged donation***

Other cogent facts and circumstances of substance engender veritable doubts as to whether the City has a better right of possession over the subject property than petitioners, as heirs of Mariano and Irene, based on the purported Deed of Donation.[67]

The City has, for more than 50 years since the donation supposedly took place on August 16, 1954, failed to secure title over the subject property in its name. If the City had acquired ownership of the premises, it is incredible that it would fail to register the donation and have the property titled in its name. That it would remain passive for such length of time is confounding and does not serve to bolster its proprietary or possessory claim to the property.[68]

At the very least, the City should have caused the annotation of the alleged Deed on TCT No. 671 immediately after August 16, 1954 or shortly thereafter. Such inscription would have

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[65] *Id*. at 293-294.

[66] *Id*. at 298.

[67] See *Heirs of Rosendo Sevilla Florencio v. Heirs of Teresa Sevilla de Leon*, 469 Phil. 459 (2004).

[68] *Id*. at at 475-476.

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been binding on petitioners, as Macario and Irene's successors-in-interest, as well as on third parties.[69]

***Petitioners, as heirs of a registered owner of the subject property, have the preferred or better right of possession***

Indeed, title to the subject property remains registered in the names of Macario and Gimenez. The alleged Deed of Donation does not appear to have been registered and TCT No. 671 does not bear any inscription of said Deed.

The Court has consistently upheld the registered owners' superior right to possess the property in unlawful detainer cases.[70] A fundamental principle in land registration is that the certificate of title serves as evidence of an indefeasible and incontrovertible title to the property in favor of the person whose name appears therein. It is conclusive evidence as regards ownership of the land therein described, and the titleholder is entitled to all the attributes of ownership of the property, including possession.[71] Thus, the Court has time and again reiterated the age-old rule that the person who has a Torrens title over a parcel of land is entitled to possession thereof.[72]

It has likewise been constantly emphasized that when the property is registered under the Torrens system, the registered owner's title to the property is presumed legal and cannot be collaterally attacked, especially in a mere action for unlawful detainer.[73] It has even been held that it does not even matter if the party's title to the property is questionable.[74]

Furthermore, it has been held that a certificate of title has a superior probative value as against that of an unregistered deed

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[69] *Id*. at 476.

[70] *Go v. Looyuko, supra* note 48, at 131.

[71] *Tolentino, et al. v. Laurel, et al.*, 682 Phil. 527, 540 (2012).

[72] *Go v. Looyuko*, *supra* note 48, at 132.

[73] *Id*.

[74] *Id*.

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of conveyance in ejectment cases.[75] *Spouses Pascual v. Spouses Coronel*,[76] involving an unlawful detainer case, is on point; it instructs:

> In any case, [W]e sustain the appellate court's finding that the respondents have the better right to possess the subject property. As opposed to the unregistered deeds of sale, the certificate of title certainly deserves more probative value. Indeed, a Torrens Certificate is evidence of indefeasible title of property in favor of the person in whose name appears therein—such holder is entitled to the possession of the property until his title is nullified.
>
> x x x x x x x x x
>
> Even if [W]e sustain the petitioners' arguments and rule that the deeds of sale are valid contracts, it would still not bolster the petitioners' case. In a number of cases, the Court had upheld the registered owners' superior right to possess the property. In *Co v. Militar*, the Court was confronted with a similar issue of which between the certificate of title and an unregistered deed of sale should be given more probative weight in resolving the issue of who has the better right to possess. There, the Court held that the court *a quo* correctly relied on the transfer certificate of title in the name of petitioner, as opposed to the unregistered deeds of sale of the respondents. The Court stressed therein that the Torrens System was adopted in this country because it was believed to be the most effective measure to guarantee the integrity of land titles and to protect their indefeasibility once the claim of ownership is established and recognized.
>
> Likewise, in the recent case of *Umpoc v. Mercado*, the Court declared that **the trial court did not err in giving more probative weight to the TCT in the name of the decedent vis-à-vis the contested unregistered Deed of Sale**. Later in *Arambulo v. Gungab*, the Court held that **the registered owner is preferred to possess the property subject of the unlawful detainer case**. The age-old rule is that the person who has a Torrens Title over a land is entitled to possession thereof.[78] (Emphasis ours and citations omitted.)

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[75] See *Manila Electric Company v. Heirs of Sps. Deloy*, 710 Phil. 427, 443 (2013).

[76] 554 Phil. 351 (2007).

[78] *Id.* at 361-362.

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Accordingly, as against the City's unregistered claim, the Torrens title in the name of Macario and Gimenez must prevail, conferring upon the registered owners the better right of possession. This superior or preferred right of possession applies to petitioners as Macario's hereditary successors[79] who have stepped into said decedent's shoes by operation of law.[80]

***No automatic acquisition of ownership of open space in the subdivision***

On the strength of the Court's ruling in *White Plains Association, Inc. v. Judge Legaspi,*[81] the City asserted that because the subject property had been designated as the open space of the City Heights Subdivision, intended for public use, ownership thereof automatically vested in the City, its donation being a mere formality. It disputed petitioners' claim that the road lots already donated to the City satisfied the open space requirement for subdivisions prior to the enactment of PD 957 dated July 12, 1976, as amended by PD 1216 dated October 14, 1977. It argued that the Subdivision Regulations then in effect expressly required a public open space of at least five percent (5%) of the gross area of the subdivision.

Several reasons impel us to reject the City's stance.

We start with the 1948 Subdivision Regulations[81] invoked by the City. As amended,[82] it required:

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[79] *See Heirs of Florencio v. Heirs of de Leon*, *supra* note 68, at 475-476.

[80] *Heirs of Anacleto B. Nieto v. Municipality of Meycauayan, Bulacan,* 564 Phil. 674, 680 (2007); Article 777 of the Civil Code of the Philippines provides that "(t)he rights to the succession are transmitted from the moment of the death of the decedent."

[81] 271 Phil. 806 (1991).

[81] Official Gazette, Vol. 45 No. 6). pp. 2417-2423.

[82] Amendments to the Provisions of the Subdivision Regulations of the Commission Adopted on December 31, 1948, Official Gazette, Vol. 51 (No. 11), p. 5548.

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Sec. 14. Areas for Community Use.

*a.* ***Public open space***

Subdivisions of one hectare or more shall be provided with suitable areas **for parks, playgrounds, playlots and/or other recreational purposes to be dedicated for public use** which area or areas shall comprise at least 5 per cent of the gross area of the subdivision. Open spaces so dedicated for public use shall be consolidated as much as possible for maximum utility and not broken into small or odd-shaped parcels of land.[83] (Emphasis ours)

The Subdivision Regulations required a public open space in the subdivision, suitable for parks, playgrounds, playlots and/or other recreational purposes. The term "open space" necessarily signifies the absence of buildings or edifices. The enumeration of parks, playgrounds and playlots as the specified usage for such space buttresses the view that the area should be non-buildable. The phrase "other recreational purposes" should be read in conjunction with this enumeration and should thus be construed as usage akin to parks, playgrounds and playlots which have clear and open space as their common feature. This is consistent with the principle of *ejusdem generis* which provides that "where a general word or phrase follows an enumeration of particular or specific words of the same class or where the latter follow the former, the general word or phrase is to be construed to include, or to be restricted to persons, things or cases akin to, resembling, or of the same kind or class as those specifically mentioned."[84] The requirement under Section 14 (a) of the Subdivision Regulations, therefore, is an open, non-buildable space. Notably, this construction is consistent with the restriction under Section 2 of PD 1216 which requires that areas in a subdivision reserved for "parks, playgrounds and recreational use" shall be "non-buildable." The only exception, as provided in Section 14 (b) of the same Regulations, is the use of the open space as a school site in the absence of *barrio*,

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[83] *Id.*

[84] *Pelizloy Realty Corporation v. The Province of Benguet,* 708 Phil. 466, 480 (2013).

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central or elementary schools in the vicinity of a proposed residential subdivision.

It appears from the records, however, that the subject property — Blocks 25 and 26 in the Subdivision Plan — had been designated not as an open space, but as the sites for the City Hall and market, respectively. Thus, TCT No. 671 contains the following inscription:

Entry 3296 – O R D E R

Existence of approved subdivision Plan LRC Psd-9671 with technical descriptions for Block 4 with 19 lots, Block 10 with 28 lots; Block 11 with 40 lots; Block 12 with 19 lots; Block 13 with 3 lots; Block 14 with 3 lots; Block 15 with 5 lots; Block 16 with 25 lots; Block 17 with 18 lots; Block 18 with 38 lots Block 19 with 44 lots; Block 20 with 45 lots; Block 21 with 11 lots, Block 22 with 9 lots; Block 23 with 18 lots; Block 24 with 17 lots; **Block 25 City Hall Site and Block 26 Market Site**; Road lots No. 10 to 30 cannot be disposed without prior approval of the court. Date of order Aug. 23, 1962. Inscribed September 13, 1962 10:35 a.m.

(Sgd) ROLANDO G. ALBERTO
Reg. of Deeds, Naga City[85]
(Emphasis ours)

The City had represented to the CA that the Subdivision Plan had been approved by the National Planning Commission and the then Court of First Instance.[86] No evidence has been adduced to show that as so approved, the Subdivision Plan indicated areas within Blocks 25 and 26 for use as parks, playgrounds or other recreational purposes.

There is likewise no debate that the subject property is in fact used as the site of the City Hall and other government offices. During the pre-trial conference, the parties stipulated that four hectares of the subject property are occupied by the City Hall and other government agencies.[87] While one hectare

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[85] *Rollo*, p. 329A.

[86] TSN, October 5, 2005, p. 4.

[87] *Rollo*, p. 365.

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of the subject property is admittedly occupied by the Naga Civic Center,[88] it has not been established that it comprises public open space as contemplated in the Subdivision Regulations.

In any event, the City cannot successfully invoke the Subdivision Regulations as basis to demand vested proprietary rights over the subject property. Contrary to its position that roads as well as open space in subdivisions instantly belong to the government without need of compensation or any overt act of donation, the Subdivision Regulations indicate that local governments did not automatically become the owner of roads and open space in subdivisions within their jurisdiction and a positive act of conveyance or dedication was necessary to vest ownership in the city or municipality, thus:

Sec. 17. *Improvements.*

x x x x x x x x x

*h. Utilities in general.* — **Unless street areas are conveyed to the city or municipality**, the approval of a subdivision plan binds the subdivider and his successors to permit all public utilities to use the streets for furnishing services to the subdivision, in accordance with existing municipal or city regulations.[90]

Sec. 19. *Approval.*

x x x x x x x x x

*h. Dedication of streets, highways and ways* — The approval of the Final Plan by the Commission **shall not be deemed to constitute or effect an acceptance by the government of the dedication of any street, or other proposed public way or space shown on the Plat**. The subdivider may, **if he so desires**, **offer to dedicate** all streets, highways, and other ways shown in the approved Final Plat for public use, but the government may, at its discretion, or upon the recommendation of the National Urban Planning Commission, **accept only such streets, highways and other ways as it deems necessary for public purposes**. It shall be the duty of the subdivider to improve, repair and maintain all streets, highways and other ways in the

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[88] *Id*. at 366.

[90] Official Gazette, Vol. 45 (No. 6). p. 2422

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subdivision **until their dedication to public use is accepted by the government**.[91] (Emphasis ours)

Parenthetically, even under PD 957, specifically Section 31,[92] it was optional on the part of the owner or developer of the subdivision to donate the roads and open space found therein. Furthermore, under PD 1216, "(t)he transfer of ownership from the subdivision owner-developer to the local government is not automatic but requires a positive act from the owner-developer before the city or municipality can acquire dominion over the subdivision roads," such that "until and unless the roads are donated, ownership remains with the owner-developer."[93]

The City's reliance on the 1991 *White Plains* case is misplaced. The case involved Road Lot 1 in the White Plains Subdivision, which had been set aside for the proposed Highway 38 of Quezon City. The Court held therein that said road was thus withdrawn from the commerce of man as the open space required by law to be devoted for public use, and its ownership was automatically vested in the Quezon City Government and/or the Republic of the Philippines without need of compensating the developer, the donation thereof being a mere formality. However, as explained by this Court in *Albon v. Mayor Fernando*:[94]

The ruling in the 1991 *White Plains Association* decision relied on by both the trial and appellate courts was modified by this Court

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[91] *Id.* at 2423.

[92] Section 31. *Donation of roads and open spaces to local government.* The registered owner or developer of the subdivision or condominium project, upon completion of the development of said project may, **at his option**, convey by way of donation the roads and open spaces found within the project to the city or municipality wherein the project is located. Upon acceptance of the donation by the city or municipality concerned, no portion of the area donated shall thereafter be converted to any other purpose or purposes unless, after hearing, the proposed conversion is approved by the Authority. (Emphasis ours).

[93] *Woodridge School, Inc. v. ARB Construction Co., Inc.,* 545 Phil. 83, 89 (2007).

[94] 526 Phil. 630 (2006).

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in 1998 in *White Plains Association v. Court of Appeals*. Citing *Young v. City of Manila*, this Court held in its 1998 decision that subdivision streets belonged to the owner until donated to the government or until expropriated upon payment of just compensation.[95]

Furthermore, in *Woodridge School, Inc. v. ARB Construction Co., Inc.*,[96] where the 1991 *White Plains* case was similarly applied by the trial court in holding that a subdivision road automatically belonged to the government, the Court ruled:

> In the case of *Abellana, Sr. v. Court of Appeals*, the Court held that the road lots in a private subdivision are private property, hence, the local government should first acquire them by donation, purchase, or expropriation, if they are to be utilized as a public road. Otherwise, they remain to be private properties of the owner-developer.
>
> Contrary to the position of petitioners, the use of the subdivision roads by the general public does not strip it of its private character. The road is not converted into public property by mere tolerance of the subdivision owner of the public's passage through it. To repeat, the local government should first acquire them by donation, purchase, or expropriation, if they are to be utilized as a public road.[97]

***Petitioners cannot simply demand just compensation in lieu of recovering possession as there was no expropriation***

Invoking the case of *Alfonso v. Pasay City*,[97] as cited in *Republic v. Court of Appeals*,[98] the City argued that recovering possession of the subject property is no longer feasible because it is now occupied and used by the City Hall and other government offices, so that petitioners' remedy is merely to demand payment of just compensation.

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[95] *Id*. at 637.

[96] *Woodridge School, Inc. v. ARB Construction Co., Inc., supra.*

[97] *Id*. at 88.

[97] 106 Phil. 1017 (1960).

[98] 433 Phil. 106 (2002).

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The Court's exact pronouncement in *Alfonso* states:

As registered owner, (Alfonso) could bring an action to recover possession at any time because possession is one of the attributes of ownership of land. However, said restoration of possession by the City of Pasay is neither convenient nor feasible because it is now and has been used for road purposes. So, the only relief available is for the City of Pasay to make due compensation, which it could and should have done years ago since 1925.[99]

It will be noted, however, that in the cases thus invoked, and in other cases where the Court made a similar ruling,[100] the government took the property in the exercise of its power of eminent domain. This case clearly involves a different factual milieu as the subject property was not expropriated by the government. It had been offered by its owners-developers, under certain terms, for donation to the City as the City Hall and market sites within the subdivision, which offer the City clearly had the option to refuse. In fact, the Subdivision's General Manager, Lopez Jr., appeared to have written to Macario essentially asking him to defer the donation because while the Municipal Board accepted their offer, they had considered "other and better alternative sites near the National Highway."[101]

The "power of eminent domain" has been defined thus:

The right of eminent domain is "the ultimate right of the **sovereign** power to **appropriate**, not only the public but the private property of all citizens within the territorial sovereignty, to public purpose."[102] (Emphasis ours)

[E]minent domain, also often referred to as expropriation and, with less frequency, as **condemnation**, is, like police power and taxation,

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[99] *Alfonso v. Pasay City, supra* at 1022.

[100] *National Power Corporation v. Court of Appeals*, 479 Phil. 850 (2004); *Amigable v. Cuenca, etc.*, *et al.,* 150 Phil. 422 (1972); *Ministerio v. CFI of Cebu*, *etc., et al.,* 148-B Phil. 474 (1971).

[101] *Rollo,* p. 122; RTC Records, p. 412.

[102] *Rep. of the Phils. v. Heirs of Saturnino Q. Borbon*, *et al.,* 750 Phil. 37, 48 (2015).

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an inherent power of sovereignty. It need not be clothed with any constitutional gear to exist; instead, provisions in our Constitution on the subject are meant more to regulate, rather than to grant, the exercise of the power. Eminent domain is generally so described as "the highest and most exact idea of property remaining in the government" that may be acquired for some public purpose through a method in the nature of a **forced purchase** by the State.[103] (Emphasis ours)

In the instant case, there was no such appropriation or condemnation or forced purchase to speak of. The City was not propelled by an imperative need to take the subject property for a public purpose. The City, in taking possession of the subject property, was not exercising a sovereign function as expropriator. In this light, the *Alfonso* ruling cannot be applied to petitioners.

***The City is not entitled to the rights of a builder in good faith***

By law, one is considered in good faith if he is not aware that there exists in his title or mode of acquisition any flaw which invalidates it.[104] The essence of good faith lies in an honest belief in the validity of one's right, ignorance of a superior claim, and absence of intention to overreach another.[105]

By these standards, the City cannot be deemed a builder in good faith.

The evidence shows that the contract for the construction of the City Hall by the Subdivision was an integral component of the latter's offer of donation, constituting an essential condition for the intended conveyance. Thus, by their July 30, 1954 letter[106] to the Naga City Mayor, the Subdivision and the registered owners of the subject property submitted their "amended offer to construct the City Hall for Naga City within the premises of

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[103] *Manosca v. CA,* 322 Phil. 442, 448 (1996).

[104] *Aquino v. Aguilar*, 762 Phil. 52, 64 (2015).

[105] *Id*. at 63.

[106] *Rollo*, pp. 283-286.

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the subdivision." The letter stated that the City Hall would be erected on not less than two hectares of the five-hectare land to be donated by Macario and Gimenez to the City. It also proposed a financing scheme for the construction of the City Hall, the construction cost not to exceed ₱150,000. It is, thus, readily apparent that the construction contract was the impetus for the offer of donation, and that such offer was made to persuade the City to award the contract to the Subdivision.

On August 11, 1954, the Municipal Board adopted Resolution No. 89[107] accepting the Subdivision's July 30, 1954 offer as amended by Lopez Jr.'s oral representations in the Board's open session as regards the financing aspect of the transaction. Consequently, Macario and Gimenez delivered possession of the subject property to the City government of Naga.[108]

However, on January 20, 1959, the Municipal Board issued Resolution No. 11[109]authorizing the City Mayor to enter into a contract with Sabaria for the construction of the City Hall.

That the Subdivision would, by its July 30, 1954 proposal, undertake the construction is evident from Lopez Jr.'s letter[110] of August 23, 1954 informing Macario that he would defer the "making of the plans of the building" until the location of the City Hall was settled. That the construction contract was the condition for the proposed donation finds support in Macario's September 17, 1959 letter[111] to Mayor Imperial and May 14, 1968[112] letter to Lopez Jr. which indicated that in February 1959, or the month after the construction contract was awarded to Sabaria, Mayor Imperial proposed for the Naga City government to "buy instead" the subject property.

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[107] *Id*. at 287.

[108] *Id*. at 441.

[109] RTC Records, p. 411.

[110] *Id*. at 412.

[111] *Id*. at 428.

[112] *Id*. at 429.

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Macario's September 17, 1959 letter to Mayor Imperial reads:

> Joe and I would like to know from you the status of your proposal you have intimated to us during our meeting last February at my residence regarding your offer for the city government of Naga to buy instead the parcels of land which we contemplated to donate to the city as city hall and market site.
>
> It has been long since then our last conversation regarding your proposal and have not heard any positive development from you.
>
> Please advice [sic] us soonest and hope this be given preferential action by your Office.[113]

His May 14, 1968 letter to Lopez Jr. in turn reads:

> Please be advised to disregard all my previous letters and instructions to you regarding the donation of the city hall and market sites to the City of Naga. Kindly make immediate representation to the City Mayor and insist on the previous proposal made by Mayor Monico Imperial for the city to buy the land we offered to them.
>
> Considering the lapse of time and until now, no clear actions have been made by the city, I suggest you take whatever appropriate actions on this matter the soonest possible time.[114]

The foregoing circumstances ineluctably show that the City knew of a substantial flaw in its claim over the subject property. The proposed donation was conditioned on the award of the construction contract to the Subdivision. By its Resolution No. 89, the City accepted the proposal with all its conditions. Thus, the City could not have been unaware that by awarding the same construction contract to Sabaria, it no longer had any cause to continue occupying the subject property as the condition for the proposed donation had not been satisfied. Accordingly, it should have vacated the subject property. However, it stayed on and allowed Sabaria to undertake the construction.

Furthermore, Macario's September 17, 1959 and May 14, 1968 letters showed that Mayor Imperial had proposed that

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[113] *Id*. at 428.

[114] *Id*. at 429.

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the Naga City government would just buy the subject property from him and Gimenez. Said letters also indicated that Macario had long been waiting for the City to act on this proposal but the latter had not taken any action. The City, in the meantime, continued to enjoy possession of the subject property and subsequently allowed other government agencies to build their offices in the premises. The proposal, however, was never brought to fruition by the City.

It cannot, thus, be said that the City was of an honest belief that it had a valid right to the subject property or that its actions had not overreached the landowners. Accordingly, it cannot be considered to have acted in good faith.

Articles 449 and 450 of the Civil Code provide:

> Art. 449. He who builds, plants or sows in bad faith on the land of another, loses what is built, planted or sown without right of indemnity.
>
> Art. 450. The owner of the land on which anything has been built, planted or sown in bad faith may demand the demolition of the work, or that the planting or sowing be removed, in order to replace things in their former condition at the expense of the person who built, planted or sowed; or he may compel the builder or planter to pay the price of the land, and the sower the proper rent.

Thus, petitioners, as hereditary successors of the registered owners of the subject property, have the right to appropriate what has been built on the property, without any obligation to pay indemnity therefor, and the City has no right to a refund of any improvement built therein.[116]

The CA ruled that Macario's May 14, 1968 letter was a mere photocopy and could not thus be received as secondary evidence absent a clear showing that its original had been lost or destroyed. The Court notes, however, that this letter, along with Macario's September 17, 1959 missive, were offered by petitioners and admitted by the MTC[117] without any objection from the City

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[116] *Aquino v. Aguilar, supra* note 105.

[117] RTC Records, p. 579.

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either as to their admissibility or the purposes for which they were submitted.

It is well-settled that evidence not objected to is deemed admitted and may be validly considered by the court in arriving at its judgment.[118] This is true even if by its nature the evidence is inadmissible and would have surely been rejected if it had been challenged at the proper time.[119] Once admitted without objection, even though not admissible under an objection, We are not inclined now to reject it.[120] Consequently, the evidence that was not objected to became property of the case, and all parties to the case are considered amenable to any favorable or unfavorable effects resulting from the said evidence.[121]

***Neither laches nor prescription had set in***

It is settled that:

> Laches is the failure or neglect, for an unreasonable and unexplained length of time, to do that which, by exercising due diligence, could or should have been done earlier; it is negligence or omission to assert a right within a reasonable time, warranting the presumption that the party entitled to assert it either has abandoned or declined to assert it. There is no absolute rule as to what constitutes laches or staleness of demand; each case is to be determined according to its particular circumstances, with the question of laches addressed to the sound discretion of the court. Because laches is an equitable doctrine, its application is controlled by equitable considerations and should not be used to defeat justice or to perpetuate fraud or injustice.[122]

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[118] *Interpacific Transit, Inc. v. Aviles,* 264 Phil. 753, 760 (1990); *Bank of the Philippine Islands v. Mendoza*, G.R. No. 198799, March 20, 2017.

[119] *Interpacific Transit, Inc. v. Aviles*, *supra*, at 760.

[120] *Id*. at 761; *Heirs of Marcelino Doronio v. Heirs of Fortunato Doronio,* 565 Phil. 766, 781 (2007).

[121] *Heirs of Marcelino Doronio v. Heirs of Fortunato Doronio*, *supra*, at 781.

[122] *Spouses Esmaquel and Sordevilla v. Coprada,* 653 Phil. 96, 107 (2010).

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By his September 17, 1959 and May 14, 1968 letters, Macario has been shown to have taken steps to have the City act on Mayor Imperial's proposal to "buy instead" the subject property. His efforts were overtaken by his death three years later in 1971. Furthermore, as the RTC found, petitioners had been engaged in litigation to establish their right to inherit from Macario and Irene, and it was Danilo's discovery of the subject property, following the issuance to him of letters of administration over Irene's estate in 1997, that prompted them to issue a demand for the City to vacate the premises.

Given these circumstances, the Court is not disposed to conclude that there was an unreasonable or unexplained delay that will render petitioners' claim stale.

In contrast, the City, despite its claim of having acquired the subject property by donation in 1954, has itself failed to have the same transferred in its name for a long period of time. Indeed, the subject property remains registered in the name of petitioners' predecessor-in-interest as co-owner.

The rule is that an action to recover possession of a registered land never prescribes in view of the provision of Section 44 of Act No. 496 to the effect that no title to registered land in derogation of that of a registered owner shall be acquired by prescription or adverse possession. It follows that a registered owner's action to recover a real property registered under the Torrens System does not prescribe.[122]

Thus, it has been consistently held that registered owners have the right to evict any person unlawfully occupying their property, and this right is imprescriptible and can never be barred by laches.[123] Even if it be supposed that they were aware of the occupant's possession of the property, and regardless of the length of that possession, the lawful owners have a right to

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[122] *Heirs of Anacleto B. Nieto v. Municipality of Meycauayan, Bulacan, supra* note 79, at 679.

[123] *Tolentino v. Laurel*, *supra* note 71, at 541 citing *Labrador v. Sps. Perlas, et al.*, 641 Phil. 388, 395 (2010); *Esmaquel v. Coprada*, *supra*, at 108 (2010).

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demand the return of their property at any time as long as the possession was unauthorized or merely tolerated, if at all.[124]

Moreover, it is well settled that the rule on imprescriptibility of registered lands not only applies to the registered owner but extends to the heirs of the registered owner as well. As explained in *Mateo v. Diaz*,[125] prescription is unavailing not only against the registered owner, but also against his hereditary successors because the latter step into the shoes of the decedent by operation of law and are the continuation of the personality of their predecessor-in-interest.[126] Consequently, petitioners, as heirs of registered landowner Macario, cannot be barred by prescription from claiming possession of the property.

***Restitution of premises, reasonable rent and attorney's fees***

Section 17, Rule 70 of the Rules of Court provides:

> Sec. 17. *Judgment.* — If after trial the court finds that the allegations of the complaint are true, it shall render judgment in favor of the plaintiff for the restitution of the premises, the sum justly due as arrears of rent or as reasonable compensation for the use and occupation of the premises, attorney's fees and costs. x x x

Thus, the rightful possessor in an unlawful detainer case is entitled to the return of the property and to recover damages, which refer to "rents" or "the reasonable compensation for the use and occupation of the premises," or the "fair rental value of the property" and attorney's fees and costs. More specifically, recoverable damages are "those which the plaintiff could have sustained as a mere possessor, or those caused by the loss of the use and occupation of the property."[127]

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[124] *Esmaquel v. Coprada, supra*, at 108.

[125] 42 Phil. 772, 781 (2002).

[126] *Heirs of Anacleto B. Nieto v. Municipality of Meycauayan, Bulacan, supra* note 79, at 665.

[127] *Province of Camarines Sur v. Bodega Glassware,* G.R. No. 194199, March 22, 2017.

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The RTC granted petitioners' prayer for a monthly rental of ₱2.5 million (or ₱50.00 per square meter) as reasonable compensation for the City's use and occupation of the subject property from November 30, 2003 until the premises are actually vacated. However, in its March 7, 2011 Decision, the CA reduces the monthly rental to ₱500,000.00 (or ₱10.00 per square meter), holding that:

> The very reason why the monthly rental of the premises surrounding the City Hall is as high as that pegged by the lower appellate court (at Php 50.00 per square meter or Php 2,500,000.00 for the 50,000 square meters), is the presence of the local government at the site. It should not, therefore, be burdened too much in the computation of the monthly rental when it has contributed in a major way in making the area an upscale one. Thus, the Court submits that the monthly rental of Php 500,000.00 is just equitable under the circumstances.[128]

There is logic in the CA's ratiocination that the presence of the local government in the subject property enhanced the value of real estate in its vicinity. The Court, however, cannot lose sight of the fact that the City's occupation of the subject property has been blighted by bad faith. The benefit to the real estate values had been at the expense of the rights of Macario and Gimenez and their successors-in-interest.

Furthermore, it has been held that the reasonable compensation contemplated in Section 17, Rule 70 "partakes of the nature of actual damages." While the court may fix the reasonable amount of rent, it must base its action on the evidence adduced by the parties. The Court has defined "fair rental value" as the amount at which a willing lessee would pay and a willing lessor would receive for the use of a certain property, neither being under compulsion and both parties having a reasonable knowledge of all facts, such as the extent, character and utility of the property, sales and holding prices of similar land and the highest and best use of the property.[129]

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[128] *Rollo*, pp. 136-137.

[129] *Josefa v. San Buenaventura*, 519 Phil. 45, 58 (2006).

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Petitioners based their prayer for a ₱50.00 rental rate on the ₱110.00 monthly rent per square meter under a 2004 lease contract over another property situated near the subject premises.[130] The burden of proof to show that the rental demanded is unconscionable or exorbitant rests upon the City.[131] The City, however, has not adduced controverting evidence as to the fair rental value of the premises.[132] All things considered, the Court finds petitioners' prayer for compensation at less than half the rate indicated in said lease contract to be reasonable.[133]

The fair rental value is to be reckoned from the time of the demand to vacate.[134] The City received two demand letters from petitioners; the second "extend(ed)" its stay in the subject property for another two months from the 30th day of the month when it received the initial demand letter on September 10, 2003.[135] Thus, the reasonable rent was due not from November 3, 2003 as the CA declared in its March 7, 2011 Decision, but from November 30, 2003, and should be paid until the subject property is vacated.

The Court agrees with the CA's holding in its March 7, 2011 Decision that the amount due to petitioners shall only be half of the reasonable rent as the subject property was co-owned by Macario with Gimenez. Absent proof to the contrary, the portions belonging to the co-owners in the co-ownership shall be presumed equal.[136]

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[130] RTC Records, pp. 561-567.

[131] *Josefa v. San Buenaventura, supra*, at 59; *Sia v. Court of Appeals*, 338 Phil. 652, 670 (1997).

[132] See *Fernando v. Spouses Lim,* 585 Phil. 141 (2008) and *Josefa v. San Buenaventura*, *supra*.

[133] See *Province of Camarines Sur v. Bodega Glassware, supra*.

[134] *Pro-guard Security Services Corp. v. Tormil Realty and Development Corp.,* 738 Phil. 417, 425 (2014).

[135] RTC Records, pp. 378-382.

[136] Article 485, Civil Code of the Philippines.

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As regards attorney's fees, the RTC awarded the same in the amount of ₱587,159.60 or 10% of the property's market value based on the tax declarations. In its March 7, 2011 Decision, the CA reduced the award to ₱200,000.00 on equitable grounds, considering the extent of legal services rendered by petitioners' counsel.[137]

The Court finds either award to be excessive. Indubitably, petitioners were constrained to litigate to protect their interest.[138] However, considering the circumstances of the case, including the summary[139] nature of an unlawful detainer proceeding, the Court holds that an award of ₱75,000.00 as attorney's fees is fair and reasonable.

***Decision is binding on privies or parties deriving possession from the City***

In its March 7, 2011 Decision, the CA held that the government offices occupying the subject property, other than the City government of Naga, could not be ordered to vacate the same because they were not parties to the case.

Jurisprudence, however, instructs that:

> A judgment directing a party to deliver possession of a property to another is *in personam*. x x x Any judgment therein is binding only upon the parties properly impleaded and duly heard or given an opportunity to be heard. However, **this rule admits of the exception, such that even a non-party may be bound by the judgment in an ejectment suit** where he is any of the following: (a) trespasser, squatter or agent of the defendant fraudulently occupying the property to frustrate the judgment; (b) guest or **occupant of the premises with the permission of the defendant**; (c) transferee *pendente lite*; (d) sublessee; (e) co-lessee; or (f) member of the family, relative or **privy of the defendant**.[140] (Emphasis ours)

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[137] *Rollo,* p. 138.

[138] Article 2208, Civil Code of the Philippines.

[139] *Salandanan v. Spouses Mendez,* 600 Phil. 229 (2009).

[140] *Id*.

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Exceptions (b) and (f) are clearly applicable. There is no dispute that the government offices were allowed by the City to occupy the subject property. Deriving their possession from the City, they are unmistakably the City's privies in the occupation of the premises.[141] Thus, they too are bound by the judgment in this case.

***Determination of ownership is not conclusive***

It must be stressed that the ruling in this case is limited only to the determination of who between the parties has a better right to possession. This adjudication is not a final determination on the issue of ownership and, thus, will not bar or prejudice an action between the same parties involving title to the property, if and when such action is brought seasonably before the proper forum.[143]

**WHEREFORE**, the petition is **GRANTED**. The Court of Appeals' Amended Decision dated July 20, 2011 is **SET ASIDE**. The Decision dated June 20, 2005 of the Regional Trial Court, Branch 26 of Naga City in Civil Case No. RTC 2005-0030 is **REINSTATED with MODIFICATION** in that: (a) petitioners shall be paid only half of the adjudged monthly rental of ₱2,500,000; and (b) the award of attorney's fees is reduced to ₱75,000.

**SO ORDERED.**

*Leonardo-de Castro,*[*] *del Castillo,* and *Jardeleza, JJ.,* concur.

*Sereno, C.J.,* on leave.

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[141] *Heirs of Maximo Regoso v. The Hon. Court of Appeals,* 286 Phil. 454, (1992).

[143] Section 18, Rule 70, Rules of Court.

[*] Designated Acting Chairperson, First Division per Special Order No. 2540 dated February 28, 2018.