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**WHEREFORE,** the appeal is **GRANTED**. The Decision dated August 12, 2016, of the Court of Appeals in CA-G.R. CR-HC No. 06607 is hereby **REVERSED** and **SET ASIDE** for failure of the prosecution to prove beyond reasonable doubt the guilt of accused-appellant Manuel dela Rosa who is accordingly **ACQUITTED** of the crime charged against him and ordered immediately **RELEASED** from custody, unless he is being held for some other lawful cause.

The Director of the Bureau of Corrections is **ORDERED** to implement this decision and to inform this Court of the date of the actual release from confinement of the accused-appellant within five (5) days from receipt hereof.

**SO ORDERED.**

*Velasco, Jr.* (*Chairperson*), *Leonen,* and *Martires, JJ.,* concur.

*Bersamin, J.,* on official leave.

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**FIRST DIVISION**

[G.R. No. 188666. December 14, 2017]

**SPOUSES JUAN and ANTONINA CANO, ROLANDO CANO and JOSEPHINE "JOSIE" CANO-AQUINO,** *petitioners, vs.* **SPOUSES ARTURO and EMERENCIANA CANO,** *respondents.*

[G.R. No. 190750. December 14, 2017]

**SPOUSES JUAN CANO and ANTONINA SORIANO-CANO,** *petitioners, vs.* **SPOUSES ARTURO CANO and EMERENCIANA DACASIN,** *respondents.*

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**SYLLABUS**

**1. CIVIL LAW; CIVIL CODE; MODES OF ACQUIRING OWNERSHIP; DONATION; DONATIONS *PROPTER NUPTIAS*; DONATIONS MADE PRIOR TO THE FAMILY CODE MAY BE ACCEPTED IMPLIEDLY BUT THOSE MADE THEREAFTER MUST BE EXPRESSLY ACCEPTED BY THE DONEE IN A PUBLIC INSTRUMENT.—** It is settled that only laws existing at the time of the execution of a contract are applicable thereto. The donation *propter nuptias* in this case was executed on 30 May 1962, while the provisions on such donations under the Civil Code were still in force and *before* the Family Code took effect on 3 August 1988. The formal requisites for the validity of the donation should therefore be determined in accordance with the x x x provisions of the Civil Code x x x. Given that this old rule governs this case, it is evident that the CA erroneously invalidated the donation *propter nuptias* in favor of petitioners. The absence of proof that the gift was accepted in a public instrument is not controlling, since implied acceptance — such as the celebration of marriage and the annotation of this fact in the OCT — must be deemed sufficient. We must clarify that the foregoing rule applies only to donations *propter nuptias* made *prior* to the Family Code (as in this case). At the time, Article 129 of the Civil Code allowed acceptance of those donations to be made impliedly. Since that provision is no longer part of the current Family Code, donations *propter nuptias* made thereafter are now subject to the rules on ordinary donations including those on the formal requisites for validity. As a result, donations of immovables under the Family Code, including those made by reason of marriage, must now be expressly accepted by the donee in a public instrument.

**2. ID.; ID.; PROPERTY, OWNERSHIP, AND ITS MODIFICATIONS; REGISTRY OF PROPERTY; RIGHTS OVER IMMOVABLE PROPERTY MUST BE REGISTERED TO BIND THIRD PERSONS.—** Pursuant to Article 709 of the Civil Code, all rights over immovable property must be duly inscribed or annotated on the Registry of Deeds before they can affect the rights of third persons. x x x The same rule is enunciated in Presidential Decree No. (P.D.) 1529, or the Property Registration Decree, specifically Sections 51 and 52 thereof x x x. In this case, petitioners do not deny that

the donation *propter nuptias* was never registered. x x x [T]he conveyance of the property in their favor is not considered binding on third persons, who had no participation in the deed or any actual knowledge thereof. x x x In the absence of proof that respondents participated in the transaction, or had knowledge of petitioners' interest over the land at the time the property was purchased in 1982, this Court must rule that they are not bound by the unregistered donation. Hence, the conveyance had no effect as to respondents.

3. **ID.; ID.; ID.; ID.; FOR PRIOR UNREGISTERED INTEREST TO AFFECT THIRD PERSONS DESPITE THE ABSENCE OF REGISTRATION, THE LAW REQUIRES ACTUAL KNOWLEDGE OF THAT INTEREST.—** The records of both the cases for ejectment and the quieting of title are bereft of evidence of respondents' participation in or actual knowledge of the deed. In fact, petitioners never made that assertion in any of their submissions before the courts. Instead, they focused on their claim that respondents were aware of the former's *possession* of the property. We emphasize, however, that in order for prior unregistered interest to affect third persons despite the absence of registration, the law requires actual knowledge of that interest. Nothing less would suffice.

4. **ID.; ID.; OBLIGATIONS AND CONTRACTS; SALES; INNOCENT PURCHASERS FOR VALUE; BUYERS ARE NOT REQUIRED TO GO BEYOND WHAT THE CERTIFICATE OF TITLE INDICATES ON ITS FACE, PROVIDED THE ACQUISITION OF THE LAND IS MADE IN GOOD FAITH.—** The acquisition of the property by respondents must x x x be respected because they were innocent purchasers for value. They had every right to rely on OCT No. 62276 insofar as it indicated that (1) one-fourth of the property was owned by Feliza; and (2) the land was subject only to the encumbrances annotated on the title, which did not include the donation *propter nuptias* in favor of petitioners. Our ruling is rooted in the general principle that persons dealing with registered land have the right to completely rely on the Torrens title issued over the property. Buyers are not required to go beyond what the certificate of title indicates on its face, provided the acquisition of the land is made in good faith, that is, without notice that some other person has a right to, or interest in, the property.

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**5. ID.; PRESIDENTIAL DECREE NO. 1529 (THE PROPERTY REGISTRATION DECREE); REGISTERED LANDS; CANNOT BE ACQUIRED BY PRESCRIPTION OR ADVERSE POSSESSION.—** As early as 1902, when Act No. 496 created the Torrens system of registration, the law already declared that registered land cannot be acquired by prescription or adverse possession. This principle is currently found in Section 47 of P.D. 1529 x x x. It is undisputed that the subject property is registered land. Hence, even assuming that petitioners occupied it for a considerable period after the sale, their possession could not have ever ripened into ownership.

**APPEARANCES OF COUNSEL**

*Public Attorney's Office* for petitioners.
*Nolan R. Evangelista* for respondents.

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

**SERENO, *C.J.*:**

These consolidated Petitions for Review involve a dispute over possession and ownership of a parcel of land located in the Barrio of Palaming, City of San Carlos, Pangasinan. Petitioners Juan and Antonina Cano anchor their claim upon a donation *propter nuptias* allegedly made by Feliza[1] Baun in their favor in 1962. Respondents Arturo and Emerenciana Cano, on the other hand, claim that they purchased the land from Feliza in 1982 and caused the annotation of the Deed of Absolute Sale on the Original Certificate of Title (OCT) No. 62276 covering the property.

The Petition in G.R. No. 188666 assails the Decision[2] and the Resolution[3] of the Fourth Division of the Court of Appeals

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[1] "Felisa" in some parts of the record.

[2] *Rollo* (G.R. No. 188666), pp. 168-177; Decision dated 29 April 2009 penned by Associate Justice Andres B. Reyes, Jr. and concurred in by Associate Justices Fernanda Lampas-Peralta and Apolinario D. Bruselas, Jr.

[3] *Id*. at 185A-185; Dated 3 July 2009.

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(CA) in CA-G.R. SP No. 104200, which affirmed the Regional Trial Court (RTC) Resolution[4] ordering petitioners to vacate the property and surrender possession thereof to respondents. Meanwhile, the Petition in G.R. No. 190750 questions the CA Decision[5] and the Resolution,[6] which affirmed the RTC Decision[7] confirming respondents' ownership of the property. The factual background and the proceedings held in each case will be discussed in turn.

## FACTUAL ANTECEDENTS

### G.R. No. 188666
*(Ejectment Case)*

On 16 November 1999, respondents filed a Complaint for Ejectment with Prayer for Injunction[8] against petitioners on the basis of a Deed of Absolute Sale[9] executed in the former's favor by Feliza, the registered owner of the property. Immediately after the sale, respondents allegedly (1) took possession of the land;[10] (2) employed a relative to act as caretaker thereof;[11] and (3) received the fruit of the mango trees planted thereon.[12]

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[4] *Id*. at 148-150; Dated 27 May 2008 and penned by Presiding Judge Anthony Q. Sison.

[5] *Rollo* (G.R. No. 190750), pp. 69-76; Decision dated 30 September 2009 and penned by Associate Justice Marlene Gonzales-Sison and concurred in by Associate Justices Andres B. Reyes, Jr. and Vicente S.E. Veloso.

[6] *Id*. at 83; Dated 14 December 2009.

[7] *Id*. at 52-61; Civil Case No. SCC-2323 penned by Presiding Judge Anthony Q. Sison.

[8] *Rollo* (G.R. No. 188666), 45-48; The case was filed with the Municipal Trial Court in Cities (MTCC) of San Carlos City and docketed as Civil Case No. MTCC 1334.

[9] *Id*. at 63.

[10] *Id*.

[11] *Id*. at 56.

[12] *Id*. at 55.

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Respondents also asserted that they benevolently allowed petitioners to take actual possession of the property after the sale because the parties were all blood relatives.[13] This peaceful arrangement continued until 3 October 1999, the day petitioners allegedly harassed and threw stones at the individuals hired by respondents to spray the mango trees with chemical fruit inducers.[14] This act of ingratitude supposedly prompted respondents to send petitioners a demand letter to vacate the property.[15]

Because the demand to vacate went unheeded, respondents filed an ejectment complaint before the Municipal Trial Court in Cities (MTCC) of San Carlos City, Pangasinan.[16] They prayed for (a) an order directing petitioners to vacate the property and pay moral damages and attorney's fees to the former;[17] and (b) an injunction to restrain petitioners from performing acts that would disturb or harass respondents or the latter's agents in violation of their right of ownership and possession over the property.[18]

In an Answer with Affirmative and/or Special Defenses and Counterclaim,[19] petitioners denied the allegations in the Complaint. They claimed ownership of the property on the basis of (1) a donation *propter nuptias*[20] executed in their favor by Feliza on 30 May 1962; and (2) their continuous possession of the land since they were born, or for more than 63 years at the time of the filing of the suit for ejectment.[21] They also asserted

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[13] *Id*. at 56.

[14] *Id*. at 57.

[15] *Id*. at 53.

[16] *Id*. at 45-48.

[17] *Id*.at 47.

[18] *Id*. at 46-47.

[19] *Id*. at 93-95.

[20] *Id* at 99.

[21] *Id*. at 94-95.

that the Deed of Absolute Sale cited by respondents was a falsified instrument.[22]

***The MTCC Ruling***

In a Decision[23] dated 21 February 2000, the MTCC dismissed the Complaint for lack of merit. Citing an Ocular Inspection Report submitted by the sheriff who investigated the disputed property, the court noted that three semi-concrete houses owned by petitioners, as well as several mango trees, were standing on the land. These improvements were considered as evidence of laches on the part of respondents and justified the dismissal of the Complaint:

> Plaintiffs[']  failure to raise a restraining arm to the defendants' introduction of several improvements on the disputed property in a span of almost eighteen (18) years is simply contrary to their claim of ownership.
>
> Thus, the plaintiffs['] long inaction or passivity in asserting their alleged rights over the disputed property will preclude them from recovering the same under the equitable principle of laches.
>
> x x x x x x x x x
>
> If, indeed the plaintiffs are very assertive of their claim of ownership over the disputed property, they should have filed a judicial action for recovery of possession or ejectment before or at the time of the construction of two (2) additional houses of defendant Juan Cano's children, namely defendants Rolando Cano and Josie Aquino, and NOT merely paying realty taxes and securing Tax Declarations, only on December 22, 1999 considering that tax receipts and tax declarations are only prima facie evidence of ownership and possession (Heirs of Leopoldo Vencilao, Sr., et al. vs. CA, April 1, 1998).[24]

As to the issue of ownership, the MTCC ruled in favor of petitioners. It upheld the validity of the donation *propter nuptias*

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[22] *Id*. at 94.

[23] Civil Case No. MTCC 1334 penned by Judge Jose S. Vallo; *id*. at 109-115.

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

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in view of the absence of a declaration by a proper forum that the instrument was null and void[25] and the lack of evidence that Feliza was indeed incapable of signing her name on the instrument of donation.[26]

The following circumstances were likewise deemed consistent with the claim of ownership by petitioners: (a) their payment of realty taxes on the property; (b) the continued registration of the title to the property in the name of their mother, Feliza; and (c) the execution of the donation *propter nuptias* **prior** to the Deed of Sale.[27]

***The RTC Ruling***

While the RTC initially affirmed the MTCC Decision and considered the claim of respondents barred by laches,[28] it subsequently reversed its own ruling. In a Resolution dated 27 May 2008,[29] the RTC declared respondents as the true owners of the property on account of the registered Deed of Absolute Sale in their favor. This instrument was considered as evidence of a preferred right as against petitioners' claim based on an unregistered donation *propter nuptias*:

> The Court notes that the Deed of Absolute Sale executed in favor of plaintiffs-appellants over the portion pertaining to Felisa Baun is registered on the title itself. This registration is proof of their ownership over the land, the purpose of which is to quiet title to land and to put a stop forever to any question of the legality of the title. Not only that, the annotation on the said title says that that portion pertaining to the share of Felisa Baun is tenanted by plaintiff-appellant[,] Arturo Cano. Clearly, plaintiff-appellant, before and at the time he was ousted by the defendants-appellees, was in possession of the property, first as a tenant prior to 1982 and as the owner thereof from 1982 onwards.

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[25] *Id*. at 114.

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

[27] *Id*.

[28] Decision dated 4 August 2000 in Civil Case No. SCC-2333 penned by Presiding Judge Bienvenido R. Estrada; *Id*. at 133-137.

[29] Penned by Presiding Judge Antony Q. Sison; *Id*. at 148-150.

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Indeed, as provided under Section 51, 2nd paragraph, P.D. 1529, "the act of registration shall be the operative act to convey or affect the [l]and insofar as third parties are concerned, and in all cases under this Decree, the registration shall be made in the office of the Registrar of Deeds for the province or city where the land lies." As between the two transactions, the donation and the sale, respectively, concerning the subject parcel of land in the name of Felisa Baun, plaintiffs-appellants who have registered the sale in their favor [have] a preferred right over the defendants-appellees who have not registered their title.[30]

***The CA Ruling***

On appeal,[31] the CA upheld the RTC ruling and declared that the registered transaction should prevail over the earlier unregistered right:[32]

It is not contested that the property in question is a registered land with Original Certificate of Title No. 62276. It is also uncontested that the sale in favor of respondents herein have been annotated on the title. On the other hand, the purported Donation Propter Nuptias in favor of petitioners herein has not been annotated in the Title of the property subject of this case.

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Clearly, as between the Deed of Sale in favor of respondents herein that is annotated in the title and the donation in favor of petitioners, the effective and binding transfer is that covered by the Deed of Sale.[33]

The CA denied the Motion for Reconsideration filed by petitioners,[34] prompting them to file the Petition for Review in G.R. No 188666.[35]

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[30] *Id*. at 149.

[31] *Id*. at 168; The appeal was made via a Petition for Review under Rule 42 of the Rules of Civil Procedure.

[32] *Id*. at 174.

[33] *Id*. at 173-176.

[34] *Id*. at 185A-185; Resolution dated 3 July 2009.

[35] *Id*. at 11-27.

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***Proceedings before the Court***

Before this Court, petitioners contend that the non-registration of the donation *propter nuptias* in their favor does not make their claim inferior to that of respondents.[36] Citing Article 749 of the Civil Code, the petitioners argue that donations of immovable property are considered valid so long as these are made in a public document.[37] They also claim that registration does not vest ownership over any particular property, but is merely an evidence of title thereto.[38] Moreover, registration was supposedly unnecessary in this case, because respondents were "manifestly aware of the petitioners' existing interest in the property, albeit not registered,"[39] as petitioners were in possession of the property at the time it was allegedly purchased.[40]

Petitioners also emphasize that the donation *propter nuptias* was executed by Feliza 20 years *before* the alleged execution of the Deed of Absolute Sale.[41] Assuming that she had agreed to the sale, this second transaction conveyed nothing to respondents.[42] Finally, petitioners assert that even if the donation *propter nuptias* is assumed to be invalid, they still have a better right over the property as they have already established their ownership by virtue of acquisitive prescription.[43]

In their Comment,[44] respondents deny the allegation that they were aware of petitioners' claim over the property at the time

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[36] *Id*. at 17.

[37] *Id*. at 18.

[38] *Id*. at 17-18 citing *Heirs of Florencio v. Heirs of De Leon*, 469 Phil. 459.

[39] *Id*. at 18-19.

[40] *Id*. at 19.

[41] *Id*. at 22.

[42] *Rollo* (G.R. No. 190750), p. 26.

[43] *Rollo* (G.R. No. 188666), pp. 20-21.

[44] Dated 10 February 2010; *id*. at 189-191.

they purchased it.[45] They also assert that after they had purchased the lot, they had the Tax Declarations transferred to their names, and that they henceforth paid the realty taxes thereon up to the present.[46] Respondents likewise pray for the dismissal of the Petition for raising factual issues that have already been resolved by the lower courts.[47]

During the pendency of G.R. No. 188666, a second Petition docketed as G.R. No. 190750 was filed before this Court. As will be discussed, the second case involves the same property and the same parties, but pertains specifically to the issue of ownership.

**G.R. No. 190750**
*(Quieting of Title Case)*

The dispute in G.R. No. 190750 stemmed from a Complaint for Quieting of Title, Declaration of Nullity of Document, Ownership and Damages[48] filed by petitioners with the RTC of San Carlos City, Pangasinan.[49] The suit was instituted while the ejectment case in G.R. No. 188666 was pending.

In the Complaint, petitioners claimed absolute ownership over the subject property citing the donation *propter nuptias* executed in their favor,[50] as well as their possession of the land since 1962. They further alleged that the quieting of title was necessary, because respondents were claiming ownership of the same lot on the basis of a spurious and simulated deed of sale.

In their Sworn Answer,[51] respondents sought the dismissal of the Complaint on the following grounds: (1) failure to comply

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[45] *Id*. at 190.

[46] *Id*. at 190-191.

[47] *Id*. at 191.

[48] *Rollo* (G.R. No. 190750), pp. 25-28.

[49] The case was docketed as Civil Case No. SCC-2323.

[50] *Rollo* (G.R. No. 190750), p. 26.

[51] *Id*. at 31-33.

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with a condition precedent, i.e., the conduct of *barangay* conciliation proceedings; (2) forum shopping; (3) laches; (4) prescription; and (5) failure to state a cause of action.[52] They also asserted that the signature of Feliza on the instrument of donation was spurious, considering that she did not know how to write and could only affix her thumbmark to legal documents.

***The RTC Ruling***

In a Decision[53] dated 27 May 2008, the RTC declared respondents the rightful owners of the property.[54] While affirming the validity of both the donation *propter nuptias* made in favor of petitioners and the Deed of Absolute Sale presented by respondents, the trial court declared that the sale prevailed over the donation because of the operative fact of registration.[55] The RTC explained:

> The formalities required by law having been established on the two (2) documents (Donation Propter Nuptias for the plaintiffs and Deed of Absolute Sale for the defendants), We now proceed to determine which between these documents prevails over the other. The Court finds the right of the defendants superior over that of the plaintiffs.
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> Section 51, 2nd paragraph, P.D. 1529 provides, "the act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned and in all cases under this Decree, the registration shall be made in the office of the Registrar of Deeds for the province or city where the land lies.
>
> It is settled in this jurisdiction that the maxim "Prior est in tempore. Potior est injure." (He who is first in time is preferred in right) is observed in land registration matters. As between the two transactions, the donation and the sale, respectively, concerning the subject parcel of land in the name of Felisa Baun, the defendants who have registered the sale in their favor have a preferred right over the plaintiffs have

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[52] *Id*. at 32.

[53] *Id*. at 52-61; Penned by Presiding Judge Anthony O. Sison.

[54] *Id*. at 61.

[55] *Id*. at 60.

not registered their title, even if the latter are in actual possession of the property involved.[56]

The RTC also noted that respondents presented sufficient evidence to prove their possession of the property since 1982, while petitioners failed to submit proof in support of the latter's claim of ownership and occupancy:

> Moreover, as established by evidence, the house on which plaintiffs stay was once the ancestral house of the family of Felissa Baun. It was likewise the only house standing on the land in question until the dispute between the parties arose in 1999. The annotation on TCT no. 62276 in 1982 that defendant Arturo Cano is the tenant of the subject parcel of land would show that indeed it was defendant Arturo Cano who possessed and took care of the land prior to the said year until he purchased the same in 1982. Defendants, after the sale[,] had declared the subject property for taxation purposes in their names. Likewise, from 1982 up to 2005, defendants religiously paid the realty tax due from (sic) the subject property. Their possession however was disturbed in 1999, the year he was disallowed entry by the plaintiffs. Aside from defendants' registered ownership over the parcel of land in question, the tax declaration and annual tax payments bolster the fact of their ownership of the subject lot.
>
> Plaintiffs on the other hand failed to present evidence that indeed they are the legitimate owners of the subject parcel of land. Except for their present possession of the subject property, they and their children failed to present evidence that the subject land and the improvements, particularly the houses standing thereon, are declared in their names. They also failed to present any documentary evidence to prove payment of taxes due from the property.[57]

On the basis of its determination that respondents were the rightful owners of the property, the RTC declared that they had the right to possess it.[58] Moreover, since petitioners were staying on the property by the mere tolerance of the real owners, the trial court ruled that it was incumbent upon them to vacate

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

[57] *Id*. at 60.

[58] *Id*.

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the land[59] and to pay respondents for actual damages caused by the dispossession.[60]

***The CA Ruling***

Petitioners sought the reversal of the RTC Decision, but the CA dismissed the appeal for lack of merit.[61] The appellate court agreed with the trial court's ruling that respondents were the rightful owners of the property, albeit on a different ground; that is, the invalidity of the donation *propter nuptias* executed by Feliza in their favor:

> The document captioned as Donation Property Nuptias does not show that plaintiffs-appellants, as the donees, accepted the subject parcel of land as a gift from the donor. Neither have the plaintiffs-appellants presented any other document that would evidence such acceptance and notification to the donor. Hence, it is our considered view that the ownership over the subject parcel of land did not pass to plaintiffs-appellants by reason of their failure to accept the donation as required by law. And, by necessary consequence, considering that Felisa retained the ownership over the subject parcel of land, she can validly sell the same, as she did in 1982, in favor of defendants-appellees.[62] (Emphases omitted)

The CA also emphasized that respondents were purchasers in good faith, as there was nothing in OCT No. 62276 itself or in the circumstances of the sale that could have warned them that the property was being claimed by others:

> [E]very person dealing with registered land may safely rely on the correctness of its certificate of title and the law will not oblige him to go beyond what appears on the face thereof to determine the condition of the property. This rule applies to defendants-appellees who are purchasers in good faith of the subject parcel of land. There

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[59] *Id*. at 60-61.

[60] *Id*. at 61.

[61] *Id*. at 69-76; Decision dated 30 September 2009 in CA-G.R. CV No. 91587.

[62] *Id*. at 73.

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was nothing in TCT No. 62276 or the circumstances surrounding the subject parcel of land that could have warned or made them suspicious that other persons have a claim over the land. At the time they purchased the subject parcel of land in 1982, the same remains covered by TCT No. 62276 in the name of Felisa, and her co-owners, and the donation of the land by Felisa to plaintiffs-appellants does not appear in said TCT. Likewise, as the trial court found based on the evidence on record, only the ancestral house of Felisa was standing on the subject parcel of land at the time the latter sold it to defendants-appellees. In view thereof, the reliance of defendants-appellees on TCT No. 62276 when they purchased the subject parcel of land is supported by law. We also find no defect in the Deed of Absolute Sale executed by Felisa and defendants-appellees, which effected the transfer of ownership of the subject parcel of land from the former to the latter.[63]

Petitioners sought reconsideration of the Decision, but the CA denied the motion in its Resolution dated 14 December 2009.[64]

***Proceedings before this Court***

Petitioners filed a Petition for Review before this Court[65] seeking the reversal of the above CA Decision and Resolution. They contend that the CA erred in declaring the donation *propter nuptias* invalid on the ground of lack of acceptance by the donee. It allegedly made that declaration even if the applicable provisions of the Civil Code did not impose that requirement.[66] They assert that since the donation had been validly made, Feliza sold nothing to respondents in 1982, as she had already divested herself of ownership over that same property in 1962.[67]

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[63] *Id*. at 73-74.

[64] *Id*. at 83.

[65] *Id*. at 9-20.

[66] *Id*. at 17-19.

[67] *Id*. at 16.

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The Comment[68] filed by respondents on the Petition in G.R. No. 190750 raises substantially the same arguments as those found in their Comment in G.R. No. 188666.

***Consolidation of Cases***

Considering that the two Petitions involved identical parties litigating over the same property, the two cases were consolidated by the Court in a Resolution[69] dated 17 March 2010. Petitioners were thereafter ordered to file a consolidated reply to the Comments filed in both petitions.[70]

In their Consolidated Reply,[71] petitioners point out that the two cases involve not only the issue of possession, but also of ownership.[72] Consequently, they argue that the findings of the lower courts on possession were not controlling in this case.[73] They also reiterate their arguments on the validity of the donation in their favor. [74]

**ISSUES**

The consolidated Petitions present the following issues for resolution:

(1) Whether the CA erred in nullifying the donation *propter nuptias* executed by Feliza in favor of petitioners because of the absence of an express acceptance by the donee

(2) Whether the CA erred in declaring that respondents are the rightful owners of the property

(3) Whether the CA erred in awarding the possession of the property to respondents

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[68] *Id*. at 86-89.

[69] *Rollo* (G.R. No. 188666), p. 192; *rollo* (G.R. No. 190750), p. 84.

[70] *Rollo* (G.R. No. 188666), p. 204.

[71] *Id*. at 202-207.

[72] *Id*. at 204.

[73] *Id*.

[74] *Id*. at 204-205.

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## OUR RULING

We **DENY** the Petitions.

While we disagree with certain pronouncements of the CA in respect of the validity of donations *propter nuptias*, we affirm its ultimate conclusion that respondents are the rightful owners of the property and are consequently entitled to possession thereof.

### *Written acceptance and notification to the donor are not required for donations* propter nuptias *executed under the Civil Code.*

Disposing of a preliminary matter, we clarify our position with respect to the pronouncement of the CA in G.R. No. 190750 that the donation *propter nuptias* executed in favor of petitioners was invalid.

In the CA Decision affirming the RTC ruling in the action for quieting of title, the appellate court invalidated the donation *propter nuptias* because of petitioners' failure to comply with the formal requirement of acceptance. The CA explained:

**When applied to a donation of an immovable property, the law further requires that the donation be made in a public document and that the acceptance thereof be made in the same deed or in a separate public instrument; in cases where the acceptance is made in a separate instrument, it is mandated that the donor be notified thereof in an authentic form, to be noted in both instruments. The acceptance of the donation by the donee is indispensable. Where the deed of donation fails to show the acceptance, or where the formal notice of the acceptance, made in a separate instrument, is either not given to the donor or else not noted in the deed of donation and in the separate acceptance, the donation is null and void.**

The document captioned as Donation Propter Nuptias does not show that plaintiffs-appellants, as the donees, accepted the subject parcel of land as a gift from the donor. Neither have plaintiffs-appellants presented any other document that would evidence such acceptance and notification to the donor. Hence, it is our considered view that

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**the ownership over the subject parcel of land did not pass to plaintiffs-appellants by reason of their failure to accept the donation as required by law.** And, by necessary consequence, **considering that Felisa retained the ownership over the subject parcel of land, she can validly sell the same, as she did in 1982, in favor of defendants-appellees.**[75] (Emphases in the original)

We note that petitioners do not deny that they never accepted the donation in their favor. They insist, though, that acceptance of the gift was not required, since the donation *propter nuptias* was executed on 30 May 1962, or while the Civil Code was still in effect.[76] Thus, they contend that the CA erred in applying the ordinary rules of donation to the instrument herein,[77] when the applicable provisions were in fact Articles 126 to 134 of the Civil Code.

We agree with petitioners on this point.

It is settled that only laws existing at the time of the execution of a contract are applicable thereto.[78] The donation *propter nuptias* in this case was executed on 30 May 1962,[79] while the provisions on such donations under the Civil Code were still in force and *before* the Family Code took effect on 3 August 1988. The formal requisites for the validity of the donation should therefore be determined in accordance with the following provisions of the Civil Code:

ARTICLE 126. Donations by reason of marriage are those which are made before its celebration, in consideration of the same and in favor of one or both of the future spouses.

ARTICLE 127. These donations are governed by the rules on ordinary donations established in Title III of Book III, except as to their form which shall be regulated by the Statute of Frauds; and insofar as they are not modified by the following articles.

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[75] *Rollo* (G.R. No. 190750), p. 73.

[76] *Id*. at 17.

[77] *Id*. at 18.

[78] *Valencia v. Locquiao*, 459 Phil. 247 (2003).

[79] *Rollo* (G.R. No. 188666), p. 99.

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ARTICLE 129. Express acceptance is not necessary for the validity of these donations.

In *Valencia v. Locquiao*,[80] we explained the effect of these Civil Code provisions on the formal requirements for donations *propter nuptias*:

> Unlike ordinary donations, donations *propter nuptias* or donations by reason of marriage are those "made before its celebration, in consideration of the same and in favor of one or both of the future spouses." The distinction is crucial because the two classes of donations are not governed by exactly the same rules, especially as regards the formal essential requisites.
>
> x x x x x x x x x
>
> Under the New Civil Code, the rules are different. **Article 127 thereof provides that the form of donations *propter nuptias* are [sic] regulated by the Statute of Frauds. Article 1403, paragraph 2, which contains the Statute of Frauds requires that the contracts mentioned thereunder need be in writing only to be enforceable. However, as provided in Article 129, express acceptance "is not necessary for the validity of these donations**." Thus, implied acceptance is sufficient.[81] (Emphases supplied)

Given that this old rule governs this case, it is evident that the CA erroneously invalidated the donation *propter nuptias* in favor of petitioners. The absence of proof that the gift was accepted in a public instrument is not controlling, since implied acceptance – such as the celebration of marriage and the annotation of this fact in the OCT[82] – must be deemed sufficient.

We must clarify that the foregoing rule applies only to donations *propter nuptias* made *prior* to the Family Code (as in this case). At the time, Article 129 of the Civil Code allowed acceptance of those donations to be made impliedly. Since that provision is no longer part of the current Family Code, donations *propter nuptias* made thereafter are now subject to the rules on

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[80] *Supra* note 78.

[81] *Id.* at. 259-260.

[82] See *Valencia v. Locquiao, supra* note 78.

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ordinary donations[83] including those on the formal requisites for validity. As a result, donations of immovables under the Family Code, including those made by reason of marriage, must now be expressly accepted by the donee in a public instrument.[84]

***The CA correctly ruled that respondents are the rightful owners of the property.***

The validity of the donation *propter nuptias* executed by Feliza in favor of petitioners, however, does not detract from our ultimate conclusion that respondents are the rightful owners of the property. On this point, we agree with the CA that the prior unregistered donation does not bind respondents, who are innocent purchasers for value. Hence, it correctly declared them the rightful owners of the subject property.

**The unregistered donation *propter nuptias* does not bind third persons.**

Pursuant to Article 709 of the Civil Code, all rights over immovable property must be duly inscribed or annotated on the Registry of Deeds before they can affect the rights of third persons. The provision states:

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[83] Article 83 of the Family Code states:

> Art. 83. These donations are governed by the rules on ordinary donations established in Title III of Book III of the Civil Code, insofar as they are not modified by the following articles.

[84] Book III, Title III, Chapter 2, Article 749 of the Civil Code, provides:

> ARTICLE 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.

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Art. 709. The titles of ownership, or other rights over immovable property, which are not duly inscribed or annotated in the Registry of Property shall not prejudice third persons.

The same rule is enunciated in Presidential Decree No. (P.D.) 1529, or the Property Registration Decree, specifically Sections 51 and 52 thereof, which provide:

SECTION 51. *Conveyance and other dealings by registered owner* — x x x But no deed, mortgage, lease, or other voluntary instrument, except a will purporting to convey or affect registered land, shall take effect as a conveyance or bind the land, but shall operate only as a contract between the parties and as evidence of authority to the Register of Deeds to make registration.

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, x x x.

SECTION 52. *Constructive notice upon registration.* Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land shall, if registered, filed or entered in the office of the Register of Deeds for the province or city where the land to which it relates lies, be constructive notice to all persons from the time of such registering, filing or entering.

In *Gonzales v. Court of Appeals*, we explained the significance of the foregoing provisions to unregistered donations as follows:[85]

From the foregoing provisions, it may be inferred that as between the parties to a donation of an immovable property, all that is required is for said donation to be contained in a public document. Registration is not necessary for it to be considered valid and effective. **However, in order to bind third persons, the donation must be registered in the Registry of Property (now Registry of Land Titles and Deeds). Although the non-registration of a deed of donation shall not affect its validity, the necessity of registration comes into play when the rights of third persons are affected,** as in the case at bar.

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[85] 411 Phil. 232 (2001).

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It is undisputed in this case that the donation executed by Ignacio Gonzales in favor of his grandchildren, although in writing and duly notarized, has not been registered in accordance with law. For this reason, it shall not be binding upon private respondents who did not participate in said deed or had no actual knowledge thereof. Hence, while the deed of donation is valid between the donor and the donees, such deed, however, did not bind the tenants-farmers who were not parties to the donation. **As previously enunciated by this Court, non-registration of a deed of donation does not bind other parties ignorant of a previous transaction** (Sales vs. Court of Appeals, 211 SCRA 858 [1992]).[86] (Emphases supplied)

In this case, petitioners do not deny that the donation *propter nuptias* was never registered. Applying the rule laid down in *Gonzales,* the conveyance of the property in their favor is not considered binding on third persons, who had no participation in the deed or any actual knowledge thereof.[87] The Court is convinced that respondents fall within the scope of this rule.

The records of both the cases for ejectment and the quieting of title are bereft of evidence of respondents' participation in or actual knowledge of the deed. In fact, petitioners never made that assertion in any of their submissions before the courts. Instead, they focused on their claim that respondents were aware of the former's *possession* of the property.[88]

We emphasize, however, that in order for prior unregistered interest to affect third persons despite the absence of registration, the law requires actual knowledge of that interest. Nothing less would suffice. As we explained in *Pineda v. Arcalas*,[89] mere possession of the property is not enough:

True, that notwithstanding the preference given to a registered lien, this Court has made an exception in a case where a party has

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[86] *Id*. at 239-240.

[87] *Sales v. Court of Appeals*, G.R. No. L-40145, 29 July 1992, 211 SCRA 858.

[88] *Rollo* (G.R. No. 190750), pp. 53-56; RTC Decision in Civil Case No. SCC-2323.

[89] 563 Phil. 919 (2007).

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actual knowledge of the claimant's actual, open, and notorious possession of the disputed property at the time the levy or attachment was registered. In such situations, the actual notice and knowledge of a prior unregistered interest, not the mere possession of the disputed property, was held to be equivalent to registration.

Lamentably, in this case, Pineda did not even allege, much less prove, that Arcalas had actual knowledge of her claim of ownership and possession of the property at the time the levy was registered. The records fail to show that Arcalas knew of Pineda's claim of ownership and possession prior to Pineda's filing of her third party claim before the Quezon City RTC. Hence, the mere possession of the subject property by Pineda, absent any proof that Arcalas had knowledge of her possession and adverse claim of ownership of the subject property, cannot be considered as equivalent to registration.[90]

In the absence of proof that respondents participated in the transaction, or had knowledge of petitioners' interest over the land at the time the property was purchased in 1982, this Court must rule that they are not bound by the unregistered donation.[91] Hence, the conveyance had no effect as to respondents.

**Respondents are innocent purchasers for value.**

The acquisition of the property by respondents must likewise be respected because they were innocent purchasers for value. They had every right to rely on OCT No. 62276 insofar as it indicated that (1) one-fourth of the property was owned by Feliza; and (2) the land was subject only to the encumbrances annotated on the title, which did not include the donation *propter nuptias* in favor of petitioners.

Our ruling is rooted in the general principle that persons dealing with registered land have the right to completely rely on the Torrens title issued over the property.[92] Buyers are not

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[90] *Id*. at 93.

[91] See *Buason v. Panuyas*, 105 Phil. 795-799 (1959).

[92] Section 44 of P.D. 1529 states:

> Section 44. Statutory liens affecting title. — Every registered owner receiving a certificate of title in pursuance of a decree of registration,

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required to go beyond what the certificate of title indicates on its face,[93] provided the acquisition of the land is made in good faith, that is, without notice that some other person has a right to, or interest in, the property.

Nevertheless, the protection granted by law to innocent purchasers for value is not absolute. In *Lausa v. Quilaton,*[94] the Court explained:

> Jurisprudence has established exceptions to the protection granted to an innocent purchaser for value, such as when the purchaser has actual knowledge of facts and circumstances that would compel a reasonably cautious man to inquire into the status of the lot; or of a defect or the lack of title in his vendor; or of sufficient facts to induce a reasonably prudent man to inquire into the status of the title of the property in litigation.
>
> The presence of anything that excites or arouses suspicion should then prompt the vendee to look beyond the certificate and investigate the title of the vendor appearing on the face of the certificate. One

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> and **every subsequent purchaser of registered land taking a certificate of title for value and in good faith, shall hold the same free from all encumbrances except those noted in said certificate** and any of the following encumbrances which may be subsisting, namely:
> First. Liens, claims or rights arising or existing under the laws and Constitution of the Philippines which are not by law required to appear of record in the Registry of Deeds in order to be valid against subsequent purchasers or encumbrances of record.
> Second. Unpaid real estate taxes levied and assessed within two years immediately preceding the acquisition of any right over the land by an innocent purchaser for value, without prejudice to the right of the government to collect taxes payable before that period from the delinquent taxpayer alone.
> Third. Any public highway or private way established or recognized by law, or any government irrigation canal or lateral thereof, if the certificate of title does not state that the boundaries of such highway or irrigation canal or lateral thereof have been determined.
> Fourth. Any disposition of the property or limitation on the use thereof by virtue of, or pursuant to, Presidential Decree No. 27 or any other law or regulations on agrarian reform. (Emphasis supplied)

[93] *Nobleza v. Nuega*, G.R. No. 193038, 11 March 2015.

[94] G.R. No. 170671, 19 August 2015.

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who falls within the exception can neither be denominated as innocent purchaser for value nor a purchaser in good faith, and hence does not merit the protection of the law.

In particular, the Court has consistently held that that a buyer of a piece of land that is in the actual possession of persons other than the seller must be wary and should investigate the rights of those in possession. Without such inquiry, the buyer can hardly be regarded as a buyer in good faith.[95]

Here, petitioners maintain that they had prior physical possession of the land, and that they built permanent structures thereon even before respondents' acquisition of the property from Feliza. Citing the findings of the MTC during the ocular inspection conducted in G.R. No. 188666, petitioners argue that the permanent structures and the trees found on the disputed property prove their possession thereof over a considerable period of time.[96] They insist that respondents cannot feign ignorance of these facts; hence, the latter cannot claim to be innocent purchasers for value.[97]

We are not persuaded.

The Court notes that petitioners have failed to sufficiently establish their assertion. Notably, the RTC in both the cases for ejectment and quieting of title declared that it was respondent Arturo Cano who was in possession of the property as a tenant prior to and at the time of the sale in 1982, based on the annotation on the title to the property (OCT No. 62276).

In its Decision dated 27 May 2008, the RTC in G.R. No. 190750 dismissed the case filed by petitioners for quieting of title on the basis of the following findings of fact:

x x x **The annotation on TCT no. 62276 in 1982 that defendant Arturo Cano is the tenant of the subject parcel of land would show that indeed it was defendant Arturo Cano who possessed**

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[95] *Id*.

[96] *Rollo* (G.R. No. 188666), pp. 19-20.

[97] *Id*.

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**and took care of the land prior to the said year until he purchased the same in 1982.** Defendants, after the sale[,] had declared the subject property for taxation purposes in their names. Likewise, from 1982 up to 2005, defendants religiously paid the realty tax due from (sic) the subject property. Their possession however was disturbed in 1999, the year he was disallowed entry by the plaintiffs. Aside from defendants' registered ownership over the parcel of land in question, the tax declaration and annual tax payments bolster the fact of their ownership of the subject lot.

x x x x x x x x x

x x x **The Court further notes that prior to defendants' purchase of the land, they were the ones tilling the subject land as tenants. Clearly, therefore, prior to 1982 and thereafter, defendants were in possession of the subject land as tenants and thereafter as registered owners.** Their possession, however, was disturbed in 1999 when plaintiffs, who as established are staying on the subject lot upon the tolerance of the defendants were disallowed entry by the former.[98] (Emphasis supplied)

On the other hand, the RTC in G.R. No. 188666 ordered the ejectment of petitioners from the property, upon a finding that respondents had been in continuous possession of the land even prior to their purchase thereof in 1982:

Not only that, **the annotation on the said title says that that portion pertaining to the appellant,** before and at the time he was ousted by the defendants-appellees, **was in possession of the property, first as a tenant prior to 1982 and as the owner thereof from 1982 onwards**.

x x x x x x x x x

x x x **Likewise, from 1982 up to 2005, plaintiffs-appellants religiously paid the realty tax due from the subject property. The plaintiffs-appellants have explained on the observation of this Court that prior to the purchase plaintiffs-appellants were already in possession at that time, being the tenants thereof.** Their possession however was disturbed in October 3, 1999, the day plaintiff-appellant Arturo was disallowed entry by the defendants-appellees. Aside from plaintiffs-appellants' registered ownership over the parcel

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[98] RTC Decision in Civil Case No. SCC-2323; *supra* note 4, p. 60.

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of land in question, the tax declaration and tax payments bolster the fact of their ownership of the subject lot.[99] (Emphases supplied)

In their petition, petitioners allude to three semi-concrete houses and several trees currently standing on the land as evidence of their possession thereof. However, they have failed to prove that these structures were already in place *at the time of the sale* in 1982. In fact, the RTC and the CA in the case for quieting of title declared that the only house standing on the property was the ancestral house of the seller, Feliza, when the Deed of Sale was executed. The RTC declared:

> Moreover, as established by evidence, the house on which plaintiffs stay was once the ancestral house of the family of Felissa Baun. It was likewise the **only house standing on the land in question until the dispute between the parties arose in 1999**.[100] x x x**.** (Emphasis supplied)

This finding was affirmed by the CA in its Decision dated 30 September 2009:

> At the time they purchased the subject parcel of land in 1982, the same remains covered by TCT No. 62276 in the name of Felisa, and her co-owners, and the donation of the land by Felisa to plaintiffs-appellants does not appear in said TCT. Likewise, as the trial court found based on the evidence on record, **only the ancestral house of Felisa was standing on the subject parcel of land at the time the latter sold it to defendants-appellees**.[101] (Emphasis supplied)

We find no reason to overturn the foregoing factual findings.

It must be emphasized that the Petitions before us were filed under Rule 45 of the Rules of Court. As such, our mandate is limited to only a review of errors of law.[102] It is not our place to analyze the factual findings of the lower courts and weigh

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[99] RTC Decision in Civil Case No. SCC-2333; *supra* note 28, at 149.

[100] *Supra* note 98.

[101] CA Decision dated 30 September 2009, *supra* note 5, at 63-64.

[102] Rules of Court, Rule 45, Section 1.

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the evidence all over again.[103] At most, our inquiry should only pertain to whether these findings are sufficiently supported by evidence.

In this case, the determinations made by the CA and the RTC as to the party in possession of the property, and the structures standing on the land at a specific point of time, are entitled to deference. These factual determinations are supported by the annotation on OCT No. 62276, the tax declarations submitted by petitioners and other pieces of evidence that show that only the ancestral house of the seller was standing on the land.

Considering that the factual findings of the lower courts are consistent with the evidence on record, we affirm their conclusion that respondents are innocent purchasers for value who had no reason to investigate further or to go beyond what was stated in the OCT. Having acquired the land in good faith, respondents' claim of ownership must be upheld.

**Acquisitive prescription does not apply to registered land.**

The assertion of petitioners that they acquired ownership of the property by virtue of their open, continuous, adverse and exclusive possession thereof for more than 60 years[104] is likewise untenable.

As early as 1902, when Act No. 496 created the Torrens system of registration, the law already declared that registered land cannot be acquired by prescription or adverse possession.[105] This principle is currently found in Section 47 of P.D. 1529:

> Section 47. *Registered land not subject to prescriptions.* No title to registered land in derogation to that of the registered owner shall be acquired by prescription or adverse possession.

It is undisputed that the subject property is registered land. Hence, even assuming that petitioners occupied it for a

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[103] *Malison v. Court of Appeals*, 554 Phil. 10 (2007).

[104] *Rollo* (G.R. No. 188666), p. 39.

[105] Act No. 496, Section 46; Also see *Lausa v. Quilaton*, *supra* note 94.

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considerable period after the sale, their possession could not have ever ripened into ownership.

***Respondents are entitled to possession of the property.***

In view of our ruling in favor of respondents on the issue of ownership, we likewise conclude that they are entitled to possession of the land in question. They have the right to enjoy and dispose of it without limitations other than those imposed by law. [106]

Our ruling on ownership also renders immaterial the issue of tolerance raised by petitioners. Since their supposed title over the land – based on the donation *propter nuptias* and on their claim of acquisitive prescription – has been defeated by the registered Deed of Absolute Sale, petitioners clearly have no right to remain on the property. Regardless of whether or not their prior possession of the property had been tolerated by respondents, it is evident that petitioners must now vacate the land.

Accordingly, we rule that the CA committed no reversible error in declaring respondents as the rightful owners of the land in the action for the quieting of title; and in ordering petitioners to vacate the property in the ejectment case.

As a final point, the Court is aware that our ruling will affect the structures currently standing on the property, which petitioners claim to own. Our decision may then engender certain issues of accession, particularly the right to reimbursement of expenses and payment of damages. Unfortunately, these matters were not raised by any of the parties before this Court or any of the lower courts. The dearth of evidence on this point likewise prevents us from making any pronouncement on the matter. These questions must perforce be dealt with in another proceeding.

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[106] CIVIL CODE, Art. 428; *Heirs of Florencio v. Heirs of De Leon*, 469 Phil. 459 (2004).

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**WHEREFORE,** the Petitions are **DENIED**. The Court of Appeals Decision and Resolution dated 29 April 2009 and 3 July 2009, respectively, in CA-G.R. SP No. 104200, and the Decision and Resolution dated 30 September 2009 and 14 December 2009, respectively, in CA-G.R. CV No. 91587 are hereby **AFFIRMED.**

**SO ORDERED.**

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

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**FIRST DIVISION**

[G.R. No. 201031. December 14, 2017]

**TOMAS R. LEONIDAS,** *petitioner, vs.* **TANCREDO VARGAS and REPUBLIC OF THE PHILIPPINES,** *respondents.*

**SYLLABUS**

**1. CIVIL LAW; PRESIDENTIAL DECREE NO. 1529 (THE PROPERTY REGISTRATION DECREE); REGISTRATION OF AN IMPERFECT AND INCOMPLETE TITLE; REQUIREMENTS.—** "The Regalian doctrine, embodied in Section 2, Article XII of the 1987 Constitution, provides that all lands of the public domain belong to the State, which is the source of any asserted right to ownership of land." "[Commonwealth Act No. 141, in turn,] governs the classification and disposition of lands of the public domain. Section 11 [thereof] provides, as one of the modes of disposing public lands that are suitable for agriculture, the 'confirmation of imperfect or incomplete titles.' Section 48 [thereof], on the other hand, enumerates those who are considered to have acquired an imperfect or incomplete title over public lands and, therefore,