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SECOND DIVISION

[G.R. No. 171804. August 5, 2015]

THE REGISTER OF DEEDS OF NEGROS OCCIDENTAL and THE NATIONAL TREASURER OF THE REPUBLIC OF THE PHILIPPINES, *petitioners, vs.* **OSCAR ANGLO, SR., and ANGLO AGRICULTURAL CORPORATION, represented by OSCAR ANGLO, JR.**, *respondents.*

SYLLABUS

1. **CIVIL LAW; LAND REGISTRATION; CERTIFICATE OF TITLE; WHEN A CERTIFICATE OF TITLE IS CLEAN AND FREE FROM ANY ENCUMBRANCE, POTENTIAL PURCHASERS HAVE EVERY RIGHT TO RELY ON SUCH CERTIFICATE, AND INDIVIDUALS WHO RELY THEREON ARE OFTEN REFERRED TO AS INNOCENT PURCHASERS FOR VALUE AND IN GOOD FAITH.—** Every certificate of title contains an attestation that the person named is the owner of the property described in the certificate. Hence, "every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go behind the certificate to determine the condition of the property." When a certificate of title is clean and free from any encumbrance, potential purchasers have every right to rely on such certificate. Individuals who rely on a clean certificate of title in making the decision to purchase the real property are often referred to as "innocent purchasers for value" and "in good faith."

2. **ID.; OBLIGATIONS AND CONTRACTS; SALES; RULE OF CAVEAT EMPTOR; IN THE EXERCISE OF CAVEAT EMPTOR, INTERESTED PURCHASERS MUST CHECK IF THE SELLER'S CERTIFICATE OF TITLE CORRESPONDS TO THE PUBLIC RECORD OF THE CERTIFICATE IN THE REGISTRY OF DEEDS.—** [T]his court has recognized the rule of caveat emptor, which translates to "buyer beware." In order to exercise the diligence required by the rule, every potential purchaser must inspect the real property's certificate of title. "The rule of caveat emptor requires

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the purchaser to be aware of the supposed title of the vendor and one who buys without checking the vendor's title takes all the risks and losses consequent to such failure." In cases involving caveat emptor, this court reminds purchasers that their rights are always limited by the rights of the seller as stated in the certificates of title. The limitations to ownership over the property, such as additional liens and mortgages, should be ascertained by the purchaser. It is not enough that interested purchasers rely on the copy of the certificate of title presented by the seller. In the exercise of caveat emptor, interested purchasers must check if the seller's certificate of title corresponds to the public record of the certificate in the Registry of Deeds.

3. **ID.; LAND REGISTRATION; PRESIDENTIAL DECREE NO. 1529 (THE PROPERTY REGISTRATION DECREE); ASSURANCE FUND; CREATED TO ADDRESS TO THE POSSIBILITY WHEN THROUGH FRAUD AND ERROR, A PERSON WHO IS NOT THE OWNER ACQUIRES A CERTIFICATE OF TITLE OVER PROPERTY.—** Our property registration system corrects the information asymmetry by making sure pertinent information about the property, such as its registered owner, or any encumbrances made over the property, are of public record. Laws such as Presidential Decree No. 1529 and its predecessor, Act No. 496, ensure that the registration of property goes through a vetting process that is *in rem* and binds not only government but the whole world. x x x However, the Torrens system is not infallible. It is possible that through fraud or error, a person who is not the owner acquires a certificate of title over property. The law thus created an Assurance Fund to address this possibility. Under Presidential Decree No. 1529, for every certificate of title issued to a registered owner of the property, building, or other improvements, the registered owner contributes "one-fourth of one per cent of the assessed value of the real estate on the basis of the last assessment for taxation purposes, as contribution to the Assurance Fund." If the property has not yet been assessed for taxation purposes, the contribution will be based on the value determined by two disinterested persons. These collections are pooled together under the custody of the National Treasurer. In *Estrellado and Alcantara v. Martinez*, this court explained the purpose of the Assurance Fund as created under Act No. 496, the predecessor of Presidential Decree No. 1529. x x x

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This court further explained that "[t]he Assurance Fund is intended to relieve innocent persons from the harshness of the doctrine that a certificate is conclusive evidence of an indefeasible title to land." An individual who relied on the validity of a certificate of title should not be prejudiced by fraud committed during the original registration, nor should he or she be prejudiced by the error, omission, mistake, or misdescription in the certificate of title caused by court personnel or the Register of Deeds, his or her deputy, or other employees of the Registry.

4. ID.; ID.; ACT NO. 496; ASSURANCE FUND; CLAIMANTS FROM THE ASSURANCE FUND; TYPES.— In *Spouses De Guzman, Jr. v. The National Treasurer*, this court identified two types of claimants from the Assurance Fund and the requirements under the law: "1) Any person who sustains loss or damage under the following conditions: a) that there was no negligence on his part; and b) that the loss or damage sustained was through any omission, mistake or malfeasance of the court personnel, or the Registrar of Deeds, his deputy, or other employees of the Registry in the performance of their respective duties under the provisions of the Land Registration Act, now, the Property Registration Decree; or 2) Any person who has been deprived of any land or interest therein under the following conditions: a) that there was no negligence on his part; b) that he was deprived as a consequence of the bringing of his land or interest therein under the provisions of the Property Registration Decree; or by the registration by any other person as owner of such land; or by mistake, omission or misdescription in any certificate of owner's duplicate, or in any entry or memorandum in the register or other official book or by any cancellation; and c) that he is barred or in any way precluded from bringing an action for the recovery of such land or interest therein, or claim upon the same." However, the enumeration of these elements is closer to the construction of Section 101 of Act No. 496, and not the newer law, Section 95 of Presidential Decree No. 1529.

5. ID.; ID.; PRESIDENTIAL DECREE NO. 1529 (THE PROPERTY REGISTRATION DECREE); ASSURANCE FUND; REQUIREMENTS; NON-COMPLIANCE THEREWITH BARS ANY CLAIM FROM THE ASSURANCE FUND; CASE AT BAR.— The governing law at the time of the

transactions in this case is Presidential Decree No. 1529. Based solely on Section 95 of Presidential Decree No. 1529, the following conditions must be met: First, the individual must sustain loss or damage, or the individual is deprived of land or any estate or interest. Second, the individual must not be negligent. Third, the loss, damage, or deprivation is the consequence of either (a) fraudulent registration under the Torrens system after the land's original registration, or (b) any error, omission, mistake, or misdescription in any certificate of title or in any entry or memorandum in the registration book. Fourth, the individual must be barred or otherwise precluded under the provision of any law from bringing an action for the recovery of such land or the estate or interest therein. x x x Respondent Anglo, Sr. meets the second requirement of claiming from the Assurance Fund. He was a buyer in good faith, and negligence cannot be attributed to him when he bought the lots. x x x Despite buying the properties in good faith and for value, respondent Anglo, Sr. does not meet the first and third requirements under Section 95. It is clear that there is no error, omission, mistake, or misdescription in de Ocampo's certificate of title. We also find that the fraudulent registration is not the cause of the loss suffered by respondent Anglo, Sr. x x x Respondent Anglo, Sr. only suffered loss because of the subsequent agreement between him and respondent Anglo Agricultural Corporation. In the Board Resolution dated June 7, 1976, respondent Anglo, Sr. agreed "to solely assume whatever liabilities that may arise from the adverse decision finally rendered over the property conveyed[.]" This undertaking caused the loss for respondent Anglo, Sr., and not de Ocampo's fraudulent registration of the lots. x x x Whatever good faith that had attached during respondent Anglo, Sr.'s transaction with de Ocampo no longer existed by the time he took the undertaking with respondent Anglo Agricultural Corporation. On June 7, 1976, the adverse claim of the Republic was already known to the world because of the notices of lis pendens on respondent Anglo, Sr.'s transfer certificate of title. When respondent Anglo, Sr. transferred the lots to respondent Anglo Agricultural Corporation, he already knew of the conflicting claims of ownership over the lots. x x x Respondent Anglo Agricultural Corporation is presumed to have taken cognizance of the notices of lis pendens as well. Its act of entering into a Deed of Conveyance with respondent Anglo,

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Sr. is an act of negligence on the part of respondent Anglo Agricultural Corporation; hence, this act fails to comply with the second requirement under Section 95 of Presidential Decree No. 1529. x x x Respondent Anglo Agricultural Corporation also does not meet the first requisite of a loss because it no longer suffered a loss due to respondent Anglo, Sr.'s undertaking to assume all liability in the agreement dated June 7, 1976. Respondent Anglo Agricultural Corporation is not precluded by law from bringing an action against respondent Anglo, Sr. for the loss it sustained. On the other hand, respondent Anglo, Sr. is barred from recovering the land because its current owner, the Bureau of Education, holds a valid certificate of title over the lots. Respondent Anglo, Sr. meets the last requisite for a claim from the Assurance Fund. However, due to non-compliance with all the requirements under Section 95, respondent Anglo, Sr. is barred from his claim.

6. ID.; ID.; ID.; ID.; THE PROCEDURAL REQUIREMENT THAT THE PERSON CAUSING THE FRAUD SHOULD BE IMPLEADED IN THE CLAIM FOR DAMAGES IS SUBSTANTIALLY COMPLIED WITH IN CASE AT BAR.— With respect to compliance with the procedural requirement under Presidential Decree No. 1529, respondents Anglo, Sr. and Anglo Agricultural Corporation were able to substantially comply with the need to implead the person causing the fraud. Section 96, in relation to Section 97, requires that the person causing the fraud, in this case, de Ocampo, should be impleaded in the claim for damages. Respondents Anglo, Sr. and Anglo Agricultural Corporation did not include de Ocampo as a party when they filed for their claims from the Assurance Fund. However, in the proceedings before the Regional Trial Court, respondents Anglo, Sr. and Anglo Agricultural Corporation presented evidence with respect to the death of de Ocampo and the absence of properties that could constitute his estate. The Republic did not present countervailing evidence to show that de Ocampo or his estate was still a viable party. Using preponderance of evidence, the Regional Trial Court could reasonably conclude that de Ocampo can no longer be impleaded.

7. ID.; ID.; ID.; ID.; WHERE THE JUDGMENT CANNOT BE EXECUTED AGAINST THE PERSON CAUSING THE FRAUD OR THE ERROR, THE ASSURANCE FUND IS

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THE INSURANCE TO THE INNOCENT PURCHASER FOR VALUE WHO RELIED ON THE VALIDITY OF THE REAL PROPERTY'S CERTIFICATE OF TITLE.— The Assurance Fund is only liable in the last resort, as suggested under Section 97 of Presidential Decree No. 1529. The person causing the fraud or the error should be liable first. However, if the judgment cannot be executed, the Assurance Fund is the insurance to the innocent purchaser for value who relied on the validity of the real property's certificate of title. In showing that the person causing the fraud passed away and did not leave property, it meant that the state cannot execute a judgment granting the innocent purchaser's claim from such person. It excuses the claimant from impleading the person causing the fraud or his estate in the Petition because in this situation, the judgment may only be enforced against the Assurance Fund.

APPEARANCES OF COUNSEL

The Solicitor General for petitioners.
Depasucat Depasucat Su Law Office for respondents.

D E C I S I O N

LEONEN, *J.*:

The Assurance Fund is part of our property registration system covered by Presidential Decree No. 1529.[1] Its purpose is to protect individuals who rely on a property's certificate of title as evidence of ownership. A claim from the fund must meet the strict requirements of Presidential Decree No. 1529:

SEC. 95. *Action for compensation from funds.* — A person who, without negligence on his part, sustains loss or damage, or is deprived of land or any estate or interest therein in consequence of the bringing of the land under the operation of the Torrens system of arising after original registration of land, through fraud or in consequence

[1] Pres. Decree No. 1529 (1978), otherwise known as the Property Registration Decree.

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of any error, omission, mistake or misdescription in any certificate of title or in any entry or memorandum in the registration book, and who by the provisions of this Decree is barred or otherwise precluded under the provision of any law from bringing an action for the recovery of such land or the estate or interest therein, may bring an action in any court of competent jurisdiction for the recovery of damages to be paid out of the Assurance Fund.

Claims will not be allowed when the claimant is negligent.

On June 29, 1960, Alfredo V. de Ocampo (de Ocampo) filed an application before the Court of First Instance of Negros Occidental[2] to register two parcels of prime sugar land,[3] Lot No. 2509[4] of the cadastral survey of Escalante and Lot No. 817[5] of the cadastral survey of Sagay. The registration was contested by the Republic of the Philippines' Bureau of Education (the Republic).[6] According to the Republic, the lots de Ocampo sought to register were bequeathed to the Bureau of Education by the late Esteban Jalandoni on September 21, 1926.[7] Due to the donation, the Bureau of Education owned the lots as evidenced by Transfer Certificate of Title (TCT) No. 6014.[8]

While registration proceedings were pending, de Ocampo entered into an agreement with Oscar Anglo, Sr. (Anglo, Sr.) on June 15, 1962. Their agreement, denominated as a Deed of Conditional Sale, included an undertaking that de Ocampo would

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[2] *Republic v. Court of Appeals*, 172 Phil. 741, 747 (1978) [Per *J*. Santos, *En Banc*].

[3] *Id*. at 755; *De Ocampo v. Republic*, 118 Phil. 1276, 1277 (1963) [Per *J*. Bautista Angelo, *En Banc*].

[4] *Rollo*, p. 36. Lot No. 2509 measures 1,114,791 square meters.

[5] *Id*. at 36-37. Lot No. 817 measures 1,777,684 square meters.

[6] *De Ocampo v. Republic*, 118 Phil. 1276, 1278 (1963) [Per *J*. Bautista Angelo, *En Banc*]. The Bureau of Education was later known as the Bureau of Public Schools.

[7] *Republic v. Court of Appeals*, 172 Phil. 741, 745 (1978) [Per *J*. Santos, *En Banc*].

[8] *Id*. at 745-746.

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cede, transfer, and convey Lot No. 2509 and part of Lot No. 817 under certain conditions.[9]

In the Decision dated August 3, 1965, Branch IV of the Court of First Instance of Negros Occidental ordered the registration of Lot No. 2509 and Lot No. 817 in favor of de Ocampo.[10] On October 1, 1965, Original Certificate of Title (OCT) No. 576-N[11] covering both lots was issued in the name of de Ocampo.[12]

On December 28, 1965, the Republic filed a Petition for Relief from Judgment with Preliminary Injunction Pending Proceeding before the Court of First Instance in San Carlos City[13] assailing the Decision dated August 3, 1965.[14]

On January 6, 1966, de Ocampo sold Lot No. 2509 and a portion of Lot No. 817, Lot No. 817-D,[15] to Anglo, Sr.[16] The Deed of Absolute Sale was registered and annotated at the back of OCT No. 576-N.[17] The Register of Deeds cancelled OCT No. 576-N and subsequently issued TCT No. T-42217, covering Lot No. 2509 and Lot No. 817-D, in favor of Anglo, Sr.[18]

On March 3, 1966 and August 24, 1966, the Republic caused the annotations of notices of *lis pendens* in Anglo, Sr.'s transfer certificate of title.[19]

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[9] RTC records, p. 8.

[10] *Republic v. Court of Appeals*, 172 Phil. 741, 747 (1978) [Per *J.* Santos, *En Banc*].

[11] RTC records, p. 144.

[12] *Republic v. Court of Appeals*, 172 Phil. 741, 747 (1978) [Per *J.* Santos, *En Banc*].

[13] *Rollo*, p. 38.

[14] *Republic v. Court of Appeals*, 172 Phil. 741, 748 (1978) [Per *J.* Santos, *En Banc*].

[15] Lot No. 817-D includes 777,671 square meters of Lot No. 817.

[16] RTC records, pp. 7-9.

[17] *Id*. at 145. The Deed of Absolute Sale was under Entry No. 110377.

[18] *Rollo*, p. 37.

[19] RTC records, p. 147.

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On August 20, 1967, the Court of First Instance in San Carlos City dismissed the Republic's Petition for Relief from Judgment.[20]

The Republic's appeal before the Court of Appeals was likewise dismissed in the Resolution dated August 21, 1969.[21] The Republic filed an appeal by certiorari to this court.[22] The case was entitled *Republic of the Philippines v. Court of Appeals*.[23]

Despite the notices of lis pendens, on May 17, 1976, Anglo, Sr. conveyed the lots covered by TCT No. T-42217 to Anglo Agricultural Corporation in exchange for shares of stock.[24] In the Deed of Conveyance, Anglo Agricultural Corporation, as transferee, assumed the risk of an adverse decision relating to the lots as stated in the notices of *lis pendens*:

> 5. That whatever adverse decision that might finally be rendered regarding the case involving the above described properties which are the subject matter of the notices of lis pendens mentioned in the second WHEREAS clause above, shall be at the risk of the TRANSFEREE and TRANSFEREE hereby agrees to free, release, acquit, and forever discharge [Anglo, Sr.] his heirs, successors and assigns from any liability, claims, demands, suits, actions, causes of action and damages whatsoever, at law or in equity of any matter, or thing, done or omitted, or suffered to be done by [Anglo, Sr.] prior to or and including the date hereof, and more specifically with regards to the parcels of land herein conveyed[.][25]

On May 19, 1976, TCT No. T-42217 was cancelled, and a new certificate of title, TCT No. T-88727, was issued in favor of Anglo Agricultural Corporation.[26]

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[20] *Rollo*, p. 38.

[21] *Republic v. Court of Appeals*, 172 Phil. 741, 753-754 (1978) [Per *J.* Santos, *En Banc*].

[22] *Id*. at 745.

[23] 172 Phil. 741 (1978) [Per *J.* Santos, *En Banc*]. The case was docketed as G.R. Nos. L-31303-04.

[24] RTC records, pp. 10-13.

[25] *Id*. at 12.

[26] *Rollo*, p. 38; RTC records, pp. 149-150.

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However, on June 7, 1976, Anglo Agricultural Corporation and Anglo, Sr. amended the agreement such that Anglo, Sr. assumed all risks in case of an adverse decision:[27]

WHEREAS, it was brought that [Paragraph 5 of the Deed of Conveyance dated May 17, 1976] is clearly damaging and prejudicial to the interest of the ANGLO AGRICULTURAL CORPORATION, and therefore requires to be corrected and remedied;

WHEREAS, MR. OSCAR ANGLO, Sr. the Transferor of the subject parcels of land, has agreed to the deletion of Paragraph 5 stated in the aforementioned Deed of Conveyance and to solely assume whatever liabilities that may arise from the adverse decision finally rendered over the property conveyed[.][28]

In the Decision dated May 31, 1978, this court remanded the Republic's case back to the Court of Appeals to be decided on its merits.[29]

The case was reinstated on July 29, 1983.[30] The Court of Appeals promulgated a Decision against de Ocampo and his successors-in-interest. The dispositive portion of the Decision states:

WHEREFORE, finding this appeal meritorious, the decision of the lower court in Civil Case No. 264(6164) [sic] dated August 20, 1967 and the decision in Land Registration Case N-4 dated August 3, 1965 are hereby REVERSED in toto and new judgment is hereby rendered:

1.) granting the petition for review in Civil Case No. 264(6154);

2.) denying the application for registration of lots 817 and 2509 of the Sagay and Escalante Cadastre in the name of respondent-applicant Alfredo V. de Ocampo;

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[27] TSN, October 28, 1991, pp. 17-18.

[28] RTC records, p. 154.

[29] *Republic v. Court of Appeals*, 172 Phil. 741, 767 (1978) [Per *J.* Santos, *En Banc*].

[30] *Rollo*, p. 38.

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3.) declaring OCT No. 576 in favor of Alfredo V. de Ocampo & TCT No. 44127 in the name of intervenor-appellee Oscar Anglo null and void and ordering their cancellation;

4.) declaring lots 817 and 2509 of Sagay & Escalante Cadastre the property of the Bureau of Education and confirming its title TCT No. 6014 over said property;

5.) remanding the case to the lower court for determination of the amount of income which would have been derived by the Bureau of Education from the above-mentioned lots from 1958 until possession is transferred to the Bureau;

6.) ordering Alfredo V. de Ocampo to pay the Bureau of Education, the amount of income as determined by the lower court under paragraph 5 with the interest thereon at the legal rate from the filing of the complaint until fully paid.

With costs against respondent-applicant, Alfredo de Ocampo.

SO ORDERED.[31] (Emphasis supplied)

The Court of Appeals remanded the case to the court of origin, the Regional Trial Court of San Carlos City, Negros Occidental,[32] for execution.[33]

Pursuant to the Order[34] dated August 20, 1984 of the Regional Trial Court, the Register of Deeds of Negros Occidental wrote a letter[35] to Oscar Anglo[36] requiring him to surrender TCT No. T-88727. In compliance, Oscar Anglo of Anglo Agricultural Corporation surrendered the title.[37]

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[31] *Id*. at 38-39.

[32] RTC records, p. 151. The case was raffled to Branch 57.

[33] *Rollo*, p. 39.

[34] RTC records, pp. 151-152. The Order was penned by Judge Julio Cesar D. Estampador of the Regional Trial Court of San Carlos City, Negros Occidental, Branch 57.

[35] *Id*. at 153.

[36] It is not clear from the letter if it was addressed to Oscar Anglo, Sr., or Oscar Anglo, Jr.

[37] *Rollo*, p. 39.

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On April 5, 1988, Anglo, Sr. and Anglo Agricultural Corporation filed a Complaint for Recovery of Damages from the Assurance Fund against the Register of Deeds of Negros Occidental and the National Treasurer of the Republic of the Philippines before the Regional Trial Court of Bacolod City, Negros Occidental.[38] According to their Complaint,[39] Anglo, Sr. acquired the lots in good faith and for value without any negligence on his part.[40] Considering that de Ocampo passed away and left no property to his heirs before the finality of the Court of Appeals' Decision, the only available remedy for Anglo, Sr. and Anglo Agricultural Corporation was to recover the value of the lots from the Assurance Fund as provided for under Act No. 496 and Presidential Decree No. 1529.[41]

During trial, only Anglo, Sr. and Anglo Agricultural Corporation presented witnesses. Atty. David Lozada, then the Registrar of Deeds of Negros Occidental, Anglo, Sr., and Oscar Anglo, Jr. took the witness stand.[42] Atty. David Lozada confirmed that at the time of the sale between de Ocampo and Anglo, Sr., there were no annotations of notices of lis pendens in de Ocampo's original certificate of title.[43] In Anglo, Sr.'s testimony, he stated that it was de Ocampo who was in possession of the lots prior to the sale between them.[44]

The Register of Deeds and the National Treasurer did not file an Opposition or Comment on the Formal Offer of Exhibits by Anglo, Sr. and Anglo Agricultural Corporation. They also did not present evidence during trial and, instead, submitted a Memorandum.[45]

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[38] *Id*. at 39 and 48.

[39] RTC records, pp. 1-6.

[40] *Id*. at 2-3.

[41] *Id*. at 4-5.

[42] *Rollo*, p. 39.

[43] TSN, September 9, 1988, pp. 18-19.

[44] TSN, November 23, 1989, p. 15.

[45] RTC records, pp. 197-203.

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In the Decision[46] dated November 29, 1995, the Regional Trial Court, Branch 51, of Bacolod City, Negros Occidental, awarded damages in favor of Anglo, Sr. and Anglo Agricultural Corporation.[47] The Regional Trial Court computed the fair market value at the time Anglo Agricultural Corporation suffered the loss, in keeping with Section 97 of Presidential Decree No. 1529.[48] The properties involved had a total area of 189.2462 hectares.[49] At the time of the loss, the properties were worth ₱35,000.00 per hectare; hence, the Regional Trial Court awarded ₱6,623,617.00 as damages payable under the Assurance Fund. The Regional Trial Court also awarded ₱20,000.00 in attorney's fees in favor of Anglo, Sr. and Anglo Agricultural Corporation.[50]

The Register of Deeds and the National Treasurer elevated the case to the Court of Appeals, questioning the propriety of the award of damages and attorney's fees.[51] In the Decision[52] dated September 7, 2005, the Court of Appeals affirmed the award of damages because it found that the situation of Anglo, Sr. and Anglo Agricultural Corporation fell within the requisites of Section 95 of Presidential Decree No. 1529.[53] However, the Court of Appeals deleted the award of attorney's fees.[54] The dispositive portion of the Decision stated:

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[46] *Rollo*, pp. 48-54. The case was docketed as Civil Case No. 4850. The Decision was penned by Presiding Judge Ramon B. Posadas.

[47] *Id*. at 54.

[48] *Id*.

[49] 1,114,791 square meters (Lot No. 2509) + 777,671 square meters (Lot No. 817-D) = 1,892,462 square meters × (1 hectare / 10,000 square meters) = 189.2462 hectares.

[50] *Rollo*, p. 54.

[51] *Id*. at 40.

[52] *Id*. at 36-45. The case was docketed as CA-G.R. CV No. 56925. The Decision was penned by Associate Justice Arsenio J. Magpale (Chair) and concurred in by Associate Justices Sesinando E. Villon and Enrico A. Lanzanas of the Nineteenth Division of the Court of Appeals.

[53] *Id*. at 41-43.

[54] *Id*. at 43-44.

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WHEREFORE, premises considered, the challenged Decision is AFFIRMED with MODIFICATION by DELETING the award of attorney's fees.

SO ORDERED.[55] (Emphasis in the original)

In the Resolution[56] dated March 3, 2006, the Court of Appeals denied the Register of Deeds and the National Treasurer's Motion for Reconsideration for lack of merit.

Hence, the Register of Deeds and the National Treasurer filed this Petition for Review on Certiorari.[57] On July 9, 2007, this court decided to give due course to the Petition and required both parties to submit their respective Memoranda.[58]

The Register of Deeds and the National Treasurer argue that Anglo, Sr. is not entitled to recovery from the Assurance Fund because he is a purchaser in bad faith.[59] Anglo, Sr. was negligent because "[h]e did not ascertain the legal condition of the title [of] the [properties] he was buying."[60] The Register of Deeds and the National Treasurer claim that at the time Anglo, Sr. purchased the properties from de Ocampo, OCT No. 576-N had entries in its Memorandum of Incumbrances.[61]

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[55] *Id*. at 44.

[56] *Id*. at 46-47. The Resolution was penned by Executive Justice Arsenio J. Magpale and concurred in by Associate Justices Enrico A. Lanzanas and Apolinario D. Bruselas, Jr., of the Special Former Nineteenth Division of the Court of Appeals.

[57] *Id*. at 12-35. In our Resolution (*Id*. at 57) dated August 7, 2006, we required respondents Oscar Anglo, Sr. and Anglo Agricultural Corporation to comment on the Petition. Respondents complied with this directive on October 9, 2006. (*Id*. at 67-73) Then, this court required petitioners to file a Reply, (*Id*. at 76) which they did on March 9, 2007. (*Id*. at 83-91)

[58] *Id*. at 94-95. Respondents filed their Memorandum (*Id*. at 123-133) on November 12, 2007, while petitioners filed theirs on November 20, 2007. (*Id*. at 105-121)

[59] *Id*. at 111-114.

[60] *Id*. at 111.

[61] *Id*. at 111-112; RTC records, p. 145. At the time of the sale on January 6, 1966, OCT No. 576-N had six entries in its Memorandum of Incumbrances.

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The Register of Deeds and the National Treasurer also note that Anglo, Sr. and Anglo Agricultural Corporation's loss was caused by the fraud committed by their predecessor-in-interest in registering and obtaining OCT No. 576-N.[62] A claim from Section 95 of Presidential Decree No. 1529 is precluded because Anglo, Sr. and Anglo Agricultural Corporation were not able to show that they were deprived of their lots as a consequence of bringing the lots or interest under the provisions of Presidential Decree No. 1529,[63] or because the registration was made by "mistake, omission, or misdescription in any certificate or owner's duplicate."[64]

Finally, the Register of Deeds and the National Treasurer argue that Anglo, Sr. and Anglo Agricultural Corporation are not entitled to a claim from the Assurance Fund because there were no lots or interest that they have been deprived of. Their predecessor-in-interest was not the real owner of the lots; hence, no title or interest could have been validly conveyed to Anglo, Sr. and Anglo Agricultural Corporation.[65]

On the other hand, Anglo, Sr. and Anglo Agricultural Corporation argue that they qualify for a claim from the Assurance Fund under Section 95 of Presidential Decree No. 1529.[66] Anglo, Sr. purchased the lots in good faith and for value; hence, a legitimate transfer certificate of title was issued under his name.[67] No negligence could be attributed to Anglo, Sr. because he relied on an original certificate of title, and the state guarantees the

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Entry No. 108424 refers to the conditional sale between Alfredo V. de Ocampo and Oscar Anglo. Entries No. 108426, 108427, and 108428 were entered by a certain Alfredo Marañon, with respect to an agreement involving 35% of the property. Entry No. 108780 is an entry of adverse claim of de Ocampo's lawyer, Atty. Eugenio G. Gemarino. Entry No. 110235 is an entry of adverse claim by another lawyer, Atty. Diosdado Garingalao.

[62] *Rollo*, p. 115.

[63] *Id*.

[64] *Id*. at 116.

[65] *Id*. at 116-118.

[66] *Id*. at 128-131.

[67] *Id*. at 130.

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correctness of the certificate.[68] The loss or damage Anglo, Sr. and Anglo Agricultural Corporation sustained "was not occasioned by a breach of trust."[69] It was caused by the "fraud or . . . wrongful acts committed by the original owner . . . in registering and obtaining the original Certificatre [sic] of Title[.]"[70]

The Register of Deeds and the National Treasurer also argue that Anglo, Sr. and Anglo Agricultural Corporation's failure to implead de Ocampo in their claim for damages bars them from claiming from the Assurance Fund because this is not in keeping with Section 97 of Presidential Decree No. 1529.[71] According to the Register of Deeds and the National Treasurer, the law requires that if the deprivation of property is caused by persons other than the government, the action should be brought first against such person, in this case, de Ocampo.[72]

Anglo, Sr. and Anglo Agricultural Corporation argue that the non-inclusion of de Ocampo as a party to the suit is allowable because de Ocampo had passed away several years before the suit was filed. De Ocampo likewise did not leave any property as certified by the provincial and city assessors.[73]

We resolve the following issues:

First, whether respondents Oscar Anglo, Sr. and Anglo Agricultural Corporation are entitled to an award of damages from the Assurance Fund under Section 95 of Presidential Decree No. 1529; and

Second, whether respondents Oscar Anglo, Sr. and Anglo Agricultural Corporation should have impleaded Alfredo de Ocampo in their Complaint for recovery of damages from the Assurance Fund.

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[68] *Id*.

[69] *Id*.

[70] *Id*. at 131.

[71] *Id*. at 118-119.

[72] *Id*. at 119.

[73] *Id*. at 131.

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We grant the Petition.

Respondents Anglo, Sr. and Anglo Agricultural Corporation do not meet the criteria set to recover damages from the Assurance Fund.

We rule that respondent Anglo, Sr. in the sale transaction on January 6, 1966 acted in good faith. However, he no longer had an interest over the lots after he had transferred these to respondent Anglo Agricultural Corporation in exchange for shares of stock. Hence, he no longer has a claim from the Assurance Fund. On the other hand, respondent Anglo Agricultural Corporation cannot be considered a transferee in good faith, considering it was aware of the title's notices of lis pendens. Hence, it also has no right to claim damages from the Assurance Fund.

I

A certificate of title or a Torrens[74] title has special characteristics:

> Under the Land Registration Act, title to the property covered by a Torrens title becomes *indefeasible* after the expiration of one year from the entry of the decree of registration. The decree is *incontrovertible* and becomes *binding on all persons* whether or not they were notified of, or participated in, the in rem registration process. . . . *A Torrens title is the best evidence of ownership of registered land*.[75] (Emphasis supplied, citations omitted)

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[74] See *Grey Alba v. De la Cruz*, 17 Phil. 49, 58-59 (1910) [Per *J.* Trent, *En Banc*]: The "Torrens system" began in South Australia when Sir Robert Torrens devised a method of registering property wherein the titles are indefeasible. The Philippines adapted the same method when it enacted Act No. 496 or The Land Registration Act, the predecessor of Presidential Decree No. 1529.

The word "Torrens" was used in Rep. Act No. 26 (1946) or An Act Providing a Special Procedure for the Reconstitution of Torrens Certificates of Title Lost or Destroyed. In the second Whereas clause of Pres. Decree No. 1529 (1978), President Ferdinand E. Marcos also referred to the existing system of land registration as the "Torrens system," even if Act No. 496 (1902) by itself does not recognize that it adapted the Torrens system.

[75] *Heirs of Miguel Franco v. Court of Appeals*, 463 Phil. 417, 430 (2003) [Per *J.* Tinga, Second Division].

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Every certificate of title contains an attestation that the person named is the owner of the property described in the certificate.[76] Hence, "every person dealing with registered land may safely rely on the correctness of the certificate of title issued therefor and the law will in no way oblige him to go behind the certificate to determine the condition of the property."[77] When a certificate of title is clean and free from any encumbrance, potential purchasers have every right to rely on such certificate.[78] Individuals who rely on a clean certificate of title in making the decision to purchase the real property are often referred to as "innocent purchasers for value"[79] and "in good faith."[80]

In addition, this court has recognized the rule of caveat emptor, which translates to "buyer beware."[81] In order to exercise the diligence required by the rule, every potential purchaser must inspect the real property's certificate of title. "The rule of caveat emptor requires the purchaser to be aware of the supposed title of the vendor and one who buys without checking the vendor's title takes all the risks and losses consequent to such failure."[82]

In cases involving caveat emptor, this court reminds purchasers that their rights are always limited by the rights of the seller as

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[76] *Republic v. Guerrero*, 520 Phil. 296, 307 (2006) [Per *J.* Garcia, Second Division]: "Under the Torrens system of registration, the government is required to issue an official certificate of title to attest to the fact that the person named is the owner of the property described therein, subject to such liens and encumbrances as thereon noted or what the law warrants or reserves."

[77] *Director of Lands v. Abache, et al.*, 73 Phil. 606 (1942) [Per *J.* Moran, *En Banc*].

[78] *Republic v. Court of Appeals*, 365 Phil. 522, 529 (1999) [Per *J.* Purisima, Third Division].

[79] *Id*.

[80] *Id*.

[81] *Filinvest Credit Corporation v. Court of Appeals*, 258 Phil. 812, 823 (1989) [Per *J.* Sarmiento, Second Division].

[82] *Caram, Jr. v. Laureta*, 190 Phil. 734, 744 (1981) [Per *J.* Fernandez, First Division].

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stated in the certificates of title.[83] The limitations to ownership over the property, such as additional liens and mortgages, should be ascertained by the purchaser.

It is not enough that interested purchasers rely on the copy of the certificate of title presented by the seller. In the exercise of caveat emptor, interested purchasers must check if the seller's certificate of title corresponds to the public record of the certificate in the Registry of Deeds.

Business transactions are facilitated by government's guarantees made through the Torrens system. Every interested buyer of real property presumes that the seller may not be providing him or her complete information. In economics, this problem is called information asymmetry.[84] Hence, prospective buyers need a reliable system to assess the validity of the information communicated by their sellers.

Our property registration system corrects the information asymmetry by making sure pertinent information about the property, such as its registered owner, or any encumbrances made over the property, are of public record. Laws such as Presidential Decree No. 1529 and its predecessor, Act No. 496, ensure that the registration of property goes through a vetting process that is *in rem* and binds not only government but the whole world.[85]

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[83] *Laxamana v. Carlos*, 57 Phil. 722, 732–733 (1932) [Per *J.* Villa-Real, *En Banc*].

[84] *See* George A. Akerlof, *The Market for "Lemons": Quality Uncertainty and the Market Mechanism*, 84 THE QUARTERLY JOURNAL OF ECONOMICS 488 (1970).

[85] *See Estrellado and Alcantara v. Martinez*, 48 Phil. 256, 262 (1925) [Per *J.* Malcolm, *En Banc*]: "The Torrens system must be envisaged in its entirety to be understood. The proceeding for registration is *in rem*. It is an assertion of legal title. The prime purpose of registration is certainty and incontestability in titles to land. In a lesser degree, the purpose is the facilitation of the proof of titles and the transfer thereof. Many sections of the Land Registration Law are given up to the confirmation of these fundamental ideas."

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Without the indefeasibility of titles, purchasers will be forced to conduct meticulous due diligence over every real property they are about to buy. This will require them to hire lawyers and private investigators just to ensure that the property is free from adverse claims. Hence, transaction costs of purchasing real property will increase, which will be detrimental to commerce.

However, the Torrens system is not infallible. It is possible that through fraud or error, a person who is not the owner acquires a certificate of title over property. The law thus created an Assurance Fund to address this possibility.

Under Presidential Decree No. 1529, for every certificate of title issued to a registered owner of the property, building, or other improvements, the registered owner contributes "one-fourth of one per cent of the assessed value of the real estate on the basis of the last assessment for taxation purposes, as contribution to the Assurance Fund."[86] If the property has not yet been assessed for taxation purposes, the contribution will be based on the value determined by two disinterested persons.[87] These collections are pooled together under the custody of the National Treasurer.[88]

In *Estrellado and Alcantara v. Martinez*,[89] this court explained the purpose of the Assurance Fund as created under Act No. 496, the predecessor of Presidential Decree No. 1529.

> The authors of the Torrens system also wisely included provisions intended to safeguard the rights of prejudiced parties rightfully entitled to an interest in land but shut off from obtaining titles thereto. As suppletory to the registration of titles, pecuniary compensation by way of damages was provided for in certain cases for persons who had lost their property. For this purpose, an assurance fund was created. But the assurance fund was not intended to block any right which a person might have against another for the loss of his land.

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[86] Pres. Decree No. 1529 (1978), Sec. 93.

[87] Pres. Decree No. 1529 (1978), Sec. 93.

[88] Pres. Decree No. 1529 (1978), Sec. 94.

[89] 48 Phil. 256 (1925) [Per *J.* Malcolm, *En Banc*].

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Damages were not to be recoverable from the assurance fund when they could be recovered from the person who caused the loss.[90]

This court further explained that "[t]he Assurance Fund is intended to relieve innocent persons from the harshness of the doctrine that a certificate is conclusive evidence of an indefeasible title to land."[91]

An individual who relied on the validity of a certificate of title should not be prejudiced by fraud committed during the original registration, nor should he or she be prejudiced by the error, omission, mistake, or misdescription in the certificate of title caused by court personnel or the Register of Deeds, his or her deputy, or other employees of the Registry. Hence, under Section 95 of Presidential Decree No. 1529:

> SEC. 95. *Action for compensation from funds.*—A person who, without negligence on his part, sustains loss or damage, or is deprived of land or any estate or interest therein in consequence of the bringing of the land under the operation of the Torrens system of arising after original registration of land, through fraud or in consequence of any error, omission, mistake or misdescription in any certificate of title or in any entry or memorandum in the registration book, and who by the provisions of this Decree is barred or otherwise precluded under the provision of any law from bringing an action for the recovery of such land or the estate or interest therein, may bring an action in any court of competent jurisdiction for the recovery of damages to be paid out of the Assurance Fund.

In *Spouses De Guzman, Jr. v. The National Treasurer*,[92] this court identified two types of claimants from the Assurance Fund and the requirements under the law:

1) Any person who sustains loss or damage under the following conditions:

    a) that there was no negligence on his part; and

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[90] *Id*. at 263.

[91] *Spouses De Guzman, Jr. v. The National Treasurer*, 391 Phil. 941, 947 (2000) [Per *J*. Kapunan, First Division].

[92] 391 Phil. 941 (2000) [Per *J*. Kapunan, First Division].

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b) that the loss or damage sustained was through any omission, mistake or malfeasance of the court personnel, or the Registrar of Deeds, his deputy, or other employees of the Registry in the performance of their respective duties under the provisions of the Land Registration Act, now, the Property Registration Decree; or

2) Any person who has been deprived of any land or interest therein under the following conditions:

a) that there was no negligence on his part;

b) that he was deprived as a consequence of the bringing of his land or interest therein under the provisions of the Property Registration Decree; or by the registration by any other person as owner of such land; or by mistake, omission or misdescription in any certificate of owner's duplicate, or in any entry or memorandum in the register or other official book or by any cancellation; and

c) that he is barred or in any way precluded from bringing an action for the recovery of such land or interest therein, or claim upon the same.[93] (Citation omitted)

However, the enumeration of these elements is closer to the construction of Section 101 of Act No. 496, and not the newer law, Section 95 of Presidential Decree No. 1529. For reference, the provision on the Assurance Fund under Act No. 496 states:

SEC. 101. Any person who without negligence on his part sustains loss or damage through any omission, mistake, or misfeasance of the clerk, or register of deeds, or of any examiner of titles, or of any deputy or clerk of the register of deeds in the performance of their respective duties under the provisions of this Act, and any person who is wrongfully deprived of any land or any interest therein, without negligence on his part, through the bringing of the same under the provisions of this Act or by the registration of any other person as owner of such land, or by any mistake, omission, or misdescription in any certificate or owner's duplicate, or in any entry or memorandum in the register or other official book, or by any cancellation, and

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[93] *Id*. at 946-947.

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who by the provisions of this Act is barred or in any way precluded from bringing an action for the recovery of such land or interest therein, or claim upon the same, may bring in any court of competent jurisdiction an action against the Treasurer of the Philippine Archipelago for the recovery of damages to be paid out of the assurance fund.

The governing law at the time of the transactions in this case is Presidential Decree No. 1529. Based solely on Section 95 of Presidential Decree No. 1529, the following conditions must be met: First, the individual must sustain loss or damage, or the individual is deprived of land or any estate or interest. Second, the individual must not be negligent. Third, the loss, damage, or deprivation is the consequence of either (a) fraudulent registration under the Torrens system after the land's original registration, or (b) any error, omission, mistake, or misdescription in any certificate of title or in any entry or memorandum in the registration book. Fourth, the individual must be barred or otherwise precluded under the provision of any law from bringing an action for the recovery of such land or the estate or interest therein.

In the earliest case of *La Urbana v. Bernardo*,[94] this court qualified that "it is a condition *sine qua non* that the person who brings an action for damages against the assurance fund be the *registered owner*, and, as to holders of transfer certificates of title, that they be *innocent purchasers in good faith* and *for value*."[95]

In *Gayondato v. Treasurer of the Philippine Islands*,[96] there was an erroneous registration of the property that led to the exclusion of one of the co-owners of the property from the certificate of title.[97] Since the excluded co-owner was a minor at that time and no negligence was found on her part, this court

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[94] 62 Phil. 790 (1936) [Per *J.* Imperial, *En Banc*].

[95] *Id*. at 803, emphasis supplied.

[96] 49 Phil. 244 (1926) [Per *J.* Ostrand, *En Banc*].

[97] *Id*. at 245-246.

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made the Treasurer of the Philippines secondarily liable for the disenfranchised co-owner's claim for damages.[98]

Recent cases decided on claims from the Assurance Fund usually involve impostors selling to innocent purchasers for value. In *Treasurer of the Philippines v. Court of Appeals*,[99] the seller was not the real owner of the property. The seller found a way to judicially reconstitute the title and pretended to be the owner of the property described in the title. The seller found a buyer for the property. However, two years after, the real owner discovered the sale and sued to have the sale made by the impostor declared null and void.[100]

In *Treasurer of the Philippines,* this court denied the claim from the Assurance Fund because the "sale conveyed no title or any interest at all to [the buyers] for the simple reason that the supposed vendor had no title or interest to transfer."[101]

Treasurer of the Philippines and a similar case, *Spouses De Guzman, Jr.*, do not apply squarely to this case. In this case, there are two different certificates of title, one in favor of de Ocampo and the other in favor of the Bureau of Education, covering the same lots. In *Treasurer of the Philippines* and *Spouses De Guzman, Jr.*, the spurious titles involve the same certificate of title.

In addition, we need to depart from the rule in *Treasurer of the Philippines* and *Spouses De Guzman, Jr.* that the sale conveyed no interest to the buyer because the vendor did not have title. We emphasize that certificates of title, especially if in their original form and backed by the Register of Deeds, may be relied upon by purchasers.[102] Innocent purchasers should

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[98] *Id*. at 249.

[99] 237 Phil. 349 (1987) [Per *J.* Cruz, First Division].

[100] *Id*. at 351–352.

[101] *Id*. at 354.

[102] *Republic v. Guerrero*, 520 Phil. 296, 307 (2006) [Per *J.* Garcia, Second Division]: "As it were, the Torrens system aims to obviate possible

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not be prejudiced by individuals who only appear to be owners but are not the actual owners. However, there should be complete compliance with the requirements of Section 95.

II

Respondents Anglo, Sr. and Anglo Agricultural Corporation appear to have similar interests. However, in evaluating compliance with Section 95, they have to be treated as separate entities with different legal personalities.[103] Both the Regional Trial Court and the Court of Appeals' Decisions treated respondents Anglo, Sr. and Anglo Agricultural Corporation as a single party.

Respondent Anglo, Sr. meets the second requirement of claiming from the Assurance Fund. He was a buyer in good faith, and negligence cannot be attributed to him when he bought the lots. The encumbrances on de Ocampo's original certificate of title did not include the claims of the Republic at the time respondent Anglo, Sr. purchased the lots. The other encumbrances pointed out by the Republic may co-exist with the peaceful ownership of respondent Anglo, Sr. over the lots. In the annotations on de Ocampo's original certificate of title, the claims of a certain Alfred Marañon were only with respect to 35% of de Ocampo's lots,[104] while respondent Anglo, Sr. purchased only 65% of the lots. The other claims were attorney's liens of de Ocampo's lawyer and another claim from another lawyer, and these liens covered only part of the value of the lots.[105]

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conflicts of title by giving the public the right to rely upon the face of the Torrens certificate and to dispense, as a rule, with the necessity of inquiring further[.]"

[103] *Philippine National Bank v. Hydro Resources Contractors Corporation*, G.R. No. 167530, March 13, 2013, 693 SCRA 294, 305-306 [Per *J.* Leonardo-De Castro, First Division]: "A corporation . . . has a personality separate and distinct from that of its stockholders and from that of other corporations to which it may be connected. . . . [B]y virtue of the separate juridical personality of a corporation, the corporate debt or credit is not the debt or credit of the stockholder. This protection from liability for shareholders is the principle of limited liability." (Citations omitted)

[104] RTC records, p. 145.

[105] *Id*.

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Despite buying the properties in good faith and for value, respondent Anglo, Sr. does not meet the first and third requirements under Section 95. It is clear that there is no error, omission, mistake, or misdescription in de Ocampo's certificate of title. We also find that the fraudulent registration is not the cause of the loss suffered by respondent Anglo, Sr.

On May 17, 1976, respondent Anglo, Sr. conveyed the lots to respondent Anglo Agricultural Corporation and, in exchange, he received 3,150 shares with par value of ₱100.00 each.[106] He could not have suffered loss because he was able to obtain ₱315,000.00 for the lots. Even when his son, as First Vice President of respondent Anglo Agricultural Corporation,[107] testified that his "father lost [the] land,"[108] it is not clear if that meant respondent Anglo, Sr. incurred a liability with respondent Anglo Agricultural Corporation due to an agreement that he would be liable for any adverse decision of the court.

Respondent Anglo, Sr. only suffered loss because of the subsequent agreement between him and respondent Anglo Agricultural Corporation. In the Board Resolution[109] dated June 7, 1976, respondent Anglo, Sr. agreed "to solely assume whatever liabilities that may arise from the adverse decision finally rendered over the property conveyed[.]"[110] This undertaking caused the loss for respondent Anglo, Sr., and not de Ocampo's fraudulent registration of the lots. Respondent Anglo, Sr. shed his rights as an innocent purchaser for value but, instead, acted as a surety to respondent Anglo Agricultural Corporation. He may have sustained a loss, but it was under a different capacity.

Whatever good faith that had attached during respondent Anglo, Sr.'s transaction with de Ocampo no longer existed by the time he took the undertaking with respondent Anglo Agricultural

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[106] *Id*. at 11.

[107] TSN, October 28, 1991, p. 8.

[108] *Id*. at 18.

[109] RTC records, pp. 154-155.

[110] *Id*. at 154.

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Corporation. On June 7, 1976, the adverse claim of the Republic was already known to the world because of the notices of lis pendens on respondent Anglo, Sr.'s transfer certificate of title. When respondent Anglo, Sr. transferred the lots to respondent Anglo Agricultural Corporation, he already knew of the conflicting claims of ownership over the lots.

III

Respondent Anglo Agricultural Corporation is presumed to have taken cognizance of the notices of lis pendens as well. Its act of entering into a Deed of Conveyance with respondent Anglo, Sr. is an act of negligence on the part of respondent Anglo Agricultural Corporation; hence, this act fails to comply with the second requirement under Section 95 of Presidential Decree No. 1529.

In *Leyson v. Hon. Tañada, et al.*,[111] the certificate of title had also contained a notice of lis pendens before the property was sold at a public auction.[112] This court ruled that the purchaser at the public auction was "bound by the outcome of the [pending litigation.]"[113] Similarly, respondent Anglo Agricultural Corporation's awareness of the notices of lis pendens makes it bound to the Court of Appeals' decision that the lots belong to the Bureau of Education.

Respondent Anglo Agricultural Corporation also does not meet the first requisite of a loss because it no longer suffered a loss due to respondent Anglo, Sr.'s undertaking to assume all liability in the agreement dated June 7, 1976.

Respondent Anglo Agricultural Corporation is not precluded by law from bringing an action against respondent Anglo, Sr. for the loss it sustained. On the other hand, respondent Anglo, Sr. is barred from recovering the land because its current owner, the Bureau of Education, holds a valid certificate of title over

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[111] 195 Phil. 634 (1981) [Per *J.* Melencio-Herrera, First Division].

[112] *Id*. at 636-637.

[113] *Id*. at 639-640.

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the lots. Respondent Anglo, Sr. meets the last requisite for a claim from the Assurance Fund. However, due to non-compliance with all the requirements under Section 95, respondent Anglo, Sr. is barred from his claim.

Respondent Anglo, Sr. would have met the requirements for claims from the Assurance Fund had he not conveyed the properties to respondent Anglo Agricultural Corporation. The purpose of the Assurance Fund would be fulfilled because respondent Anglo, Sr. purchased the properties in good faith, not knowing that there was another titleholder over the same properties. Eventually, respondent Anglo, Sr. would realize that the business transaction involved properties whose title had severe defects. However, instead of going after his rights under the Assurance Fund, respondent Anglo, Sr. made the conscious choice of recovering the value of the properties he purchased by selling the properties to another buyer. This bars respondent Anglo, Sr. from making a subsequent claim from the Assurance Fund because that will be tantamount to unjust enrichment.

On the other hand, respondent Anglo Agricultural Corporation was aware of the properties' defects when respondent Anglo, Sr. conveyed the properties to the corporation. The Deed of Conveyance even recognized the notices of *lis pendens* in the title. The law does not protect parties who knowingly enter into risky business transactions. It is part of the freedom to contract, and the state is not mandated to insure parties who enter into risky business transactions.[114] As this court has stated in *La Urbana*:

> Plaintiff's negligence is manifest in the instant case because with its knowledge of the pending litigations and of the notices of *lis pendens* it should not have taken the risk of purchasing the property if it had acted prudently. As it chose to run the risk, it must suffer the consequences of its own acts.[115] (Emphasis in the original)

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[114] *Treasurer of the Philippines v. Court of Appeals*, 237 Phil. 349, 356 (1987) [Per *J.* Cruz, First Division]: "The Government — like all governments, and for obvious reasons — is not an insurer of the unwary citizen's property against the chicanery of scoundrels."

[115] *La Urbana v. Bernardo*, 62 Phil. 790, 804 (1936) [Per *J.* Imperial, *En Banc*].

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IV

With respect to compliance with the procedural requirement under Presidential Decree No. 1529, respondents Anglo, Sr. and Anglo Agricultural Corporation were able to substantially comply with the need to implead the person causing the fraud.

Section 96,[116] in relation to Section 97,[117] requires that the person causing the fraud, in this case, de Ocampo, should be impleaded in the claim for damages. Respondents Anglo, Sr. and Anglo Agricultural Corporation did not include de Ocampo as a party when they filed for their claims from the Assurance Fund.

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[116] Pres. Decree No. 1529 (1978), Sec. 96 provides:

SEC. 96. *Against whom action filed.*—If such action is brought to recover for loss or damage or for deprivation of land or of any estate or interest therein arising wholly through fraud, negligence, omission, mistake or misfeasance of the court personnel, Register of Deeds, his deputy, or other employees of the Registry in the performance of their respective duties, the action shall be brought against the Register of Deeds of the province or city where the land is situated and the National Treasurer as defendants. But if such action is brought to recover for loss or damage or for deprivation of land or of any interest therein arising through fraud, negligence, omission, mistake or misfeasance of person other than court personnel, the Register of Deeds, his deputy or other employees of the Registry, such action shall be brought against the Register of Deeds, the National Treasurer and other person or persons, as co-defendants. It shall be the duty of the Solicitor General in person or by representative to appear and to defend all such suits with the aid of the fiscal of the province or city where the land lies: Provided, however, that nothing in this Decree shall be construed to deprive the plaintiff of any right of action which he may have against any person for such loss or damage or deprivation without joining the National Treasurer as party defendant. In every action filed against the Assurance Fund, the court shall consider the report of the Commissioner of Land Registration.

[117] Pres. Decree No. 1529 (1978), Sec. 97 provides:

SEC. 97. *Judgment, how satisfied.*—If there are defendants other than the National Treasurer and the Register of Deeds and judgment is entered for the plaintiff and against the National Treasury, the Register of Deeds and any of the other defendants, *execution shall first issue against such defendants other than the National Treasurer and the Register of Deeds*. If the execution is returned unsatisfied in whole or in part, and the officer returning the same certifies that the amount due cannot be collected from the land or personal property of such other defendants, only then shall the court, upon proper showing, order the amount of the execution and costs, or so much thereof as remains unpaid, to be paid by the National Treasurer out of the

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However, in the proceedings before the Regional Trial Court, respondents Anglo, Sr. and Anglo Agricultural Corporation presented evidence with respect to the death of de Ocampo and the absence of properties that could constitute his estate.[118] The Republic did not present countervailing evidence to show that de Ocampo or his estate was still a viable party. Using preponderance of evidence, the Regional Trial Court could reasonably conclude that de Ocampo can no longer be impleaded.

The Assurance Fund is only liable in the last resort, as suggested under Section 97 of Presidential Decree No. 1529. The person causing the fraud or the error should be liable first. However, if the judgment cannot be executed, the Assurance Fund is the insurance to the innocent purchaser for value who relied on the validity of the real property's certificate of title. In showing that the person causing the fraud passed away and did not leave property, it meant that the state cannot execute a judgment granting the innocent purchaser's claim from such person. It excuses the claimant from impleading the person causing the fraud or his estate in the Petition because in this situation, the judgment may only be enforced against the Assurance Fund.

Despite substantial compliance with the requirement to implead the person who caused the fraud, this does not cure the non-conformity of respondents Anglo, Sr. and Anglo Agricultural Corporation's claim with the requirements set in Section 95 of Presidential Decree No. 1529.

WHEREFORE, the Petition is **GRANTED**. The Court of Appeals' Decision dated September 7, 2005 and Resolution dated March 3, 2006 are **REVERSED** and **SET ASIDE**. Respondents Oscar Anglo, Sr. and Anglo Agricultural Corpoation's claim from the Assurance Fund is **DENIED**.

SO ORDERED.

Carpio (Chairperson), Brion, del Castillo, and *Mendoza, JJ.*, concur.

Assurance Fund. In an action under this Decree, the plaintiff cannot recover as compensation more than the fair market value of the land at the time he suffered the loss, damage, or deprivation thereof.

[118] *Rollo*, p. 43.