



Republic of the Philippines
Supreme Court
 Manila

SECOND DIVISION

RUBY RUTH S. SERRANO MAHILUM,
Petitioner,

G.R. No. 197923

Present:

- versus -

CARPIO, *Chairperson,*
 DEL CASTILLO,
 PEREZ,*
 MENDOZA, *and*
 JARDELEZA,** *JJ.*

**SPOUSES EDILBERTO ILANO and
 LOURDES ILANO,**
Respondents.

Promulgated:

22 JUN 2015 *del Castillo Perfecto*

x-----x

DECISION

DEL CASTILLO, J.:

Assailed in this Petition for Review on *Certiorari*¹ are the following dispositions of the Court of Appeals: 1) February 2, 2011 Decision² in CA-G.R. SP No. 113782 which granted herein respondents' Petition for *Certiorari* and Prohibition and thus nullified and set aside the January 5, 2010³ and February 24, 2010⁴ Orders of the Regional Trial Court of Las Piñas City, Branch 255 in Civil Case No. LP-07-0109; and 2) July 28, 2011 Resolution⁵ denying the herein petitioner's motion for reconsideration.

Factual Antecedents

Petitioner Ruby Ruth S. Serrano Mahilum is the registered owner of a parcel of land covered by Transfer Certificate of Title No. 85533⁶ (TCT 85533) of the Registry of Deeds of Las Piñas City. *Mahilum*

* Per Special Order No. 2067 dated June 22, 2015.

** Per Special Order No. 2056 dated June 10, 2015.

¹ *Rollo*, pp. 8-29.

² Id. at 30-43; penned by Associate Justice Mariflor P. Punzalan Castillo and concurred in by Associate Justices Josefina Guevara-Salonga and Franchito N. Diamante.

³ Id. at 110-112; penned by Judge Raul Bautista Villanueva.

⁴ Id. at 129-131.

⁵ Id. at 44-46.

⁶ Id. at 60-61.

In September 2003, she entrusted the original owner's duplicate copy of TCT 85533 to Teresa Perez (Perez) – a purported real estate broker – who claimed that she can assist petitioner in obtaining a loan, with TCT 85533 serving as collateral. After several months, petitioner demanded the return of the title, but Perez failed to produce the same; after much prodding, Perez admitted that the title was lost. Thus, in June 2004, petitioner executed an Affidavit of Loss and caused the same to be annotated upon the original registry copy of TCT 85533 as Entry No. 1668-24⁷ on October 7, 2004.

In June 2006, petitioner received a letter from the Registry of Deeds of Las Piñas City informing her that the owner's duplicate copy of TCT 85533 was not lost, but that it was presented to the registry by respondents, spouses Edilberto and Lourdes Ilano, who claimed that the property covered by the title was sold to them. In this connection, respondents – instead of registering the supposed sale in their favor – executed an Affidavit of Non-Loss, which was entered on TCT 85533 on June 28, 2006 as Entry No. 1875-27.⁸

Petitioner confronted respondents, who showed her a notarized Agreement⁹ with right of repurchase dated December 4, 2003 and an unnotarized and undated Deed of Absolute Sale,¹⁰ on which documents petitioner's purported signatures were affixed. These documents indicate that petitioner sold the property covered by TCT 85533 to respondents for ₱250,000.00 with right to repurchase the same within a period of 90 days. Petitioner told respondents that she did not execute these documents, and that her purported signatures therein were in fact falsified and forged. She demanded the return of TCT 85533, but respondents refused to surrender the title to her. They claimed that the property was sold to them by Perez and “a companion.”

All this time, title to the property remained in petitioner's name, as respondents have not registered the unnotarized and undated Deed of Absolute Sale.

Civil Case No. LP-07-0109

On June 20, 2007, petitioner and her husband Richard instituted against respondents and Perez Civil Case No. LP-07-0109 with the Regional Trial Court of Las Piñas City. Her Complaint¹¹ for “annulment of agreement and deed of absolute sale, specific performance, with damages,” which contained the foregoing statement of facts, likewise contained the following allegations and

⁷ Id. at 61.

⁸ Id.

⁹ Id. at 62-63.

¹⁰ Id. at 64-65.

¹¹ Id. at 66-71.

prayer:

18. That by reason of the actuations of the defendants in facilitating the execution of the aforesaid falsified documents, and adamant refusal to return to plaintiffs the duplicate original owner's copy of their title, which were all done with evident bad faith, the plaintiffs suffered and continue to suffer sleepless nights, wounded feelings, besmirched reputation, serious anxiety and other similar feelings, which, when quantified, can reasonably be compensated with the sum of Fifty Thousand (₱50,000.00) Pesos, as moral damages;

x x x x

PRAYER

WHEREFORE, it is most respectfully prayed of this Honorable Court, that after due notice and hearing, judgment be rendered in favor of the plaintiffs and against the defendants, as follows:

1. Ordering the annulment of the documents denominated as Agreement (Deed of Sale with Right to Repurchase), dated December 4, 2003, and Deed of Absolute Sale and declaring the same as null and void;

2. Ordering defendants Ilano to surrender and return to plaintiffs the duplicate original owner's copy of TCT No. 85533;

3. Ordering the defendants, jointly and severally, to pay the plaintiffs the sum of Fifty Thousand Pesos (₱50,000.00) as moral damages;

[4.] Ordering the defendants, jointly and severally, to pay the plaintiffs the sum of Twenty Thousand Pesos (₱20,000.00) as attorney's fees, and the additional amount of Two Thousand Pesos (₱2,000.00) for every court hearing; and

[5.] Ordering the defendants to pay the costs of this suit.

Other reliefs deemed just and equitable are also prayed for.¹²

Respondents' Amended Answer with Compulsory Counterclaim¹³ alleged and admitted, among others, that petitioner was the owner of the lot covered by TCT 85533; that said title was entrusted to Perez; that petitioner executed an affidavit of loss which was annotated on TCT 85533; that they caused the annotation of an affidavit of non-loss on TCT 85533, as Entry No. 1875-27; that petitioner confronted them; that they showed petitioner the Agreement and unnotarized Deed of Absolute Sale; that they are in possession of the owner's copy of TCT 85533; that sometime in October 2003, Perez – accompanied by one Corazon Tingson (Tingson) “and a female person who introduced herself as Ruby Ruth Serrano” – offered to sell to them the property covered by TCT 85533; that “in support of the identity of the said Ruby Ruth Serrano, the original owner's

¹² Id. at 68-69.

¹³ Id. at 85-94.

copies of the title (TCT No. T-85533), Declaration of Real Property, Tax Clearance, Barangay Clearance, Community Tax Certificate with picture of Ruby Ruth Serrano attached therein” were presented to respondent Edilberto Ilano (Edilberto); that upon being satisfied as to the “identity of the person who introduced herself as Ruby Ruth Serrano,” Edilberto instructed his secretary to verify the authenticity of the title with the Register of Deeds of Las Piñas City and conduct an ocular inspection of the property; that “the person who introduced herself as Ruby Ruth Serrano” obtained a cash advance of ₱50,000.00; that after verification confirmed that the property is indeed owned by and registered in the name of Ruby Ruth Serrano, Edilberto – “believing in good faith that the person [with] whom he is dealing x x x is indeed the real Ruby Ruth Serrano” – entered into the sale transaction; that on the same day, or October 30, 2004, petitioner received the full consideration of ₱250,000.00 and signed the Agreement and Deed of Absolute Sale; that petitioner’s affidavit of loss filed with the Registry of Deeds is false as TCT 85533 was never lost but was entrusted to Perez who, together with Tingson “and another person herein named as ‘Jane Doe’ whose identity is yet to be established who introduced herself as Ruby Ruth Serrano,” came to respondents’ office to obtain a loan because petitioner was in dire need of money as she admitted in her complaint; that TCT 85533 was negotiated and/or sold by petitioner “or by her duly authorized person, otherwise no one can present/deliver the original owner’s duplicate copy of the said title x x x and the original copies of the documents x x x;” that “for failure of the registered owner, Ruby Ruth Serrano, to exercise her right of repurchase within the agreed period, ownership of the subject property now lawfully belongs to” respondents; that the complaint failed to allege that respondents were purchasers in bad faith or at least with notice of the defect in the title, which leads to the conclusion that the complaint states no cause of action; and that respondents filed a perjury case against petitioner with the Office of the City Prosecutor of Parañaque.

Respondents thus prayed for the dismissal of the complaint, and by way of counterclaim, sought indemnity for moral damages in the amount of ₱300,000.00; ₱100,000.00 as nominal damages; ₱200,000.00 as exemplary damages; ₱100,000.00 for attorney’s fees; and costs of suit.

Pre-trial and presentation of petitioner’s evidence ensued. Thereafter, petitioner rested her case.

Respondents filed a Demurrer to Evidence,¹⁴ arguing that the complaint failed to state a cause of action in that petitioner failed to allege that respondents were purchasers in bad faith or with notice of a defect in the title; that in the absence of such an allegation, the presumption that respondents are purchasers in good faith prevails. Petitioner filed a Comment/ Opposition,¹⁵ contending

¹⁴ Id. at 95-103.

¹⁵ Id. at 104-106.

essentially that her complaint contained an allegation that respondents were purchasers in bad faith, which is found in paragraphs 13 to 15 of the complaint; and that the issues raised in the demurrer may only be resolved after trial on the merits.

Ruling of the Regional Trial Court

In a January 5, 2010 Order,¹⁶ the trial court denied respondents' demurrer. It held that the question of whether respondents are purchasers in bad faith can only be resolved after the parties present their respective evidence. Thus, it stated:

The Court, after taking into account all the foregoing, does not find merit in the above demurrer. For one, the Court already held in its Order dated 11 April 2008 that "during the pre-trial held last 11 February 2008 one of the issues submitted for resolution by the Court is whether or not [sic] defendants Sps. Ilano are buyers in good faith and for value of the property subject hereof". This being so, the same can only be resolved upon presentation of evidence by the parties herein regarding their respective positions." Thus, the instant case cannot just be dismissed simply because the defendants said so based on their own evaluation of the evidence presented by the plaintiff.

If only to stress, as far as the Court is concerned the assertions of the defendants are merely conclusions they arrived at on their own that [run] counter to the position of the plaintiffs. As such, the defendants will have to present their own evidence to substantiate their claims.

More importantly, the Court cannot just disregard the evidence and testimonies of the witnesses presented by the plaintiffs. Further, in order to ferret out the truth and determine the veracity of the assertions being made by the parties herein, it is best that the "other side" be heard. It is only in allowing the defendants to present their evidence that this can be achieved so that the herein case against them can be resolved judiciously.

In the end, it is for the Court to evaluate the evidence to be presented by the parties herein. The conclusions being forwarded by the parties will have to be reckoned with what have been presented and not on their respective self-serving assertions.

Indeed, a demurrer to evidence is anchored on the claim that "upon the facts and the law the plaintiff has shown no right to relief" (Sec. 1, Rule 33, Rules of Court). With respect to the herein case, there is no clear showing that plaintiffs Sps. Mahilum have no right to the reliefs being sought by them. On the contrary, and if not opposed by contravening evidence by the defendants, their causes of action may end up being supported by evidence that may merit rulings in their favor.

WHEREFORE, premises considered, the "Demurrer to Evidence" dated 11 November 2009 filed by defendants Sps. Edilberto and Lourdes Ilano is

¹⁶ Id. at 110-112.

DENIED for lack of merit.

SO ORDERED.¹⁷

Respondents filed a Motion for Reconsideration,¹⁸ but the trial court denied the same in a February 24, 2010 Order.¹⁹

Ruling of the Court of Appeals

Respondents went up to the Court of Appeals (CA) via an original Petition for *Certiorari*.²⁰ Docketed as CA-G.R. SP No. 113782, the petition essentially insisted that since petitioner's complaint failed to include an allegation that respondents were purchasers in bad faith, then her complaint for annulment of sale failed to state a cause of action, which entitles them to a dismissal on demurrer; and that in denying their demurrer, the trial court disregarded existing jurisprudence to the effect that where a complaint does not contain all the facts constituting the plaintiff's cause of action, it is subject to a motion to dismiss. In addition to seeking the reversal of the trial court's January 5, 2010 and February 24, 2010 Orders, respondents prayed for injunctive relief as well.

On July 15, 2010, the CA issued a Resolution²¹ denying respondents' application for a temporary restraining order.

Petitioner filed her Comment to the Petition.

On February 2, 2011, the CA issued the assailed Decision, which contained the following decretal portion:

WHEREFORE, the above premises considered, the instant petition is GRANTED. The Orders of public respondent Regional Trial Court of Las Piñas City, Branch 255 dated 5 January 2010 and 24 February 2010, respectively, are NULLIFIED and SET ASIDE. Private respondents' complaint for Annulment of Agreement and Deed of Absolute Sale, Specific Performance with Damages is DISMISSED for lack of cause of action.

SO ORDERED.²²

The CA held that –

¹⁷ Id. at 111-112.

¹⁸ Id. at 113-120.

¹⁹ Id. at 129-131.

²⁰ Id. at 132-151.

²¹ Id. at 152-153.

²² Id. at 42.

A careful reading of private respondents'²³ complaint before public respondent would show that private respondents indeed failed to allege that petitioners²⁴ were in bad faith or at least aware of the misrepresentation of the vendor of the subject property at the time they purchased the same. x x x

x x x x

x x x. Thus, absent an allegation in the subject complaint that petitioners were in bad faith or with notice of the vendor's misrepresentation at the time of sale or prior thereto, they are presumed to be innocent purchasers for value of the subject property.

Under the law, a title procured through fraud and misrepresentation can still be the source of a completely legal and valid title if the same is in the hands of an innocent purchaser for value and in good faith. Again, how can public respondent render a valid judgment when, based on the allegations in the complaint, petitioners are presumed to have bought the subject lot in good faith? Stated differently, private respondents have no cause of action against petitioners.

In their comment or opposition to petitioners' demurrer to evidence, private respondents argued that it is not accurate that they failed to allege bad faith because paragraphs 13, 14, and 15 of their complaint indicated the evident bad faith of petitioners. However, a review of said averments would only prove that petitioners became aware of the alleged fraud or misrepresentation **after** the execution of the assailed agreement and deed of sale when private respondents confronted the former, and **not before or during** the execution of the same. The Supreme Court held:

“A person is considered in law as an innocent purchaser for value when he buys the property of another, without notice that some other person has a right or an interest in such property, and pays a full price for the same **at the time of such purchase, or before he has notice of the claims or interest of some other person in the property.** A person dealing with registered land may safely rely on the correctness of the certificate of title of the vendor/transferor, and the law will in no way oblige him to go behind the certificate to determine the condition of the property.”²⁵

When the complaint alleges that private respondents did not sell the subject property to petitioners but does not allege that the latter were purchasers in bad faith or with notice of the defect in the title of their vendors, there is a failure to state a cause of action.²⁶ By reason of this failure, petitioners are presumed to be innocent purchasers for value and in good faith, entitled to protection under the law.

“In *Spouses Chu, Sr. v. Benelda Estate Development Corporation*, this Court pronounced that it is crucial that a complaint for annulment of title must allege that the purchaser was aware of the defect in the title, so that the cause of action

²³ Herein petitioner and her husband.

²⁴ Herein respondents.

²⁵ Citing *Spouses Chu, Sr. v. Benelda Estate Development Corporation*, 405 Phil. 936 (2001).

²⁶ Citing *Castillo v. Heirs of Vicente Madrigal*, G.R. No. 62650, June 27, 1991, 198 SCRA 556.

against him or her will be sufficient. **Failure to do so, as in the case at bar, is fatal for the reason that the court cannot render a valid judgment against the purchaser who is presumed to be in good faith** in acquiring said property.”²⁷

It was further held that a title issued to an innocent purchaser and for value cannot be revoked on the basis that the deed of sale was falsified, if he or she had no knowledge of the fraud committed.²⁸ Here, there is clearly no imputation that petitioners had knowledge of the fraud committed during the execution of the assailed agreement and deed of sale. Furthermore, in the formal offer of the testimony of private respondent Ruby Ruth, proving bad faith was not even among the purposes for which her testimony was offered. Accordingly, the testimony itself did not show bad faith on the part of petitioners.

It is significant to note that in the subject complaint, formal offer of evidence, and oral testimony, only two things were established: (1) private respondents did not sell the subject property to petitioners and (2) Teresa Perez breached the trust given to her by private respondents. These facts cannot constitute a cause of action or relief against petitioners because, absent an allegation of bad faith in the complaint, they are presumed to be innocent purchasers for value during the execution of the agreement and deed of sale.

There is the established rule that if the defendant permits evidence to be introduced, without objection, which supplies the necessary allegations of a defective complaint, this evidence has the effect of curing the defects of such complaint, and a demurrer thereafter is inadmissible on the ground that the complaint does not state facts sufficient to constitute a cause of action. This rule, however, cannot be applied in the instant case. Granting that petitioners did not object to the presentation of evidence of private respondents, the latter still failed to cure the defect in their complaint since no evidence of bad faith on the part of petitioners was presented before the court. Proofs of bad faith were all directed against Teresa Perez and her companion who introduced herself as Ruby Ruth Serrano.

Although this Court relied on the transcript of stenographic notes quoted by petitioners, as complete records of the case are still with public respondent, private respondents did not question in their Comment on the petition, the truthfulness of the statements quoted therein. Hence, private respondents are deemed to have admitted the veracity of said transcript. Without an imputation [or] a showing that petitioners were in bad faith or aware of the fraud perpetrated by Teresa Perez and her companion, no action can be maintained against them.

In view of the foregoing, public respondent RTC committed grave abuse of discretion amounting to lack or excess of jurisdiction when it denied the Demurrer to Evidence notwithstanding the complete absence of a cause of action against petitioners. Public respondent RTC contravened and disregarded the settled and prevailing jurisprudence on the matter.²⁹

Petitioner filed her Motion for Reconsideration,³⁰ which the CA denied in

²⁷ Citing *Heirs of Julian Tiro v. Philippine Estates Corporation*, 585 Phil. 306 (2008).

²⁸ *Id.*

²⁹ *Rollo*, pp. 37-42.

³⁰ *Id.* at 47-55.

its assailed July 28, 2011 Resolution. Hence, the present Petition.

Issues

Petitioner raises the following issues:

I

ON QUESTION OF LAW, WHETHER x x x FAILURE TO ALLEGE BAD FAITH IN THE COMPLAINT IS A FATAL DEFECT CONSIDERING THAT THE SUBJECT DOCUMENTS (AGREEMENT/DEED OF ABSOLUTE SALE WITH RIGHT TO REPURCHASE, AND UNNOTARIZED DEED OF SALE) WERE MERELY SIMULATED, FICTITIOUS AND FORGERY [sic], AND HENCE, NULL AND VOID FROM THE BEGINNING.

II

ON QUESTION OF LAW, WHETHER x x x THE PETITIONER WAS DEPRIVED OF HER PROPERTY WHEN THE COURT OF APPEALS GRANTED THE DEMURRER TO EVIDENCE ON THE GROUND THAT THERE WAS NO CAUSE OF ACTION WHEN ONE OF THE ISSUED [sic] AGREED UPON BY THE PARTIES DURING THE PRE-TRIAL BEFORE THE RTC WAS WHETHER x x x PRIVATE RESPONDENTS WERE PURCHASERS IN GOOD FAITH.

III

WHETHER x x x PETITIONER/S WERE PREVENTED FROM CONFRONTING THE PRIVATE RESPONDENTS AND THEIR WITNESSES TO DETERMINE WHETHER x x x THEY REALLY DEALT WITH PETITIONER AND TO DETERMINE WHO WAS THE IMPOSTOR WHO SIGNED THE SUBJECT AGREEMENT AND DEED OF ABSOLUTE SALE AND HENCE, ALLOW THE RTC COURT TO DETERMINE WHETHER THE SUBJECT AGREEMENT AND DEED OF ABSOLUTE SALE WERE SIMULATED, FICTITIOUS AND NULL AND VOID AND IF PRIVATE RESPONDENTS WERE REALLY PURCHASERS FOR VALUE IN GOOD FAITH THAT WILL AFFECT THE OUTCOME OF THE INSTANT CASE.³¹

Petitioner's Arguments

In praying that the assailed CA dispositions be set aside and that in effect the January 5, 2010 and February 24, 2010 Orders of the trial court denying respondents' demurrer to evidence be reinstated, petitioner insists in her Petition and Reply³² that during the pre-trial conference, one of the issues agreed upon by the parties to be resolved was whether respondents were buyers in good faith, which was reflected in the trial court's January 5, 2010 Order,³³ that since the

³¹ Id. at 19-20.

³² Id. at 196-199.

³³ See note 15.

issue of good or bad faith has been agreed upon by the parties as one of the matters to be tackled during trial, then the failure to allege bad faith in the complaint is deemed cured, and the defense is deemed waived by the respondents with their assent given during pre-trial; and that the agreement and deed of absolute sale, being forgeries, are null and void and without force and effect.

Petitioner adds that although a complaint which does not contain all the facts constituting the plaintiff's cause of action is subject to a motion to dismiss, the defect is cured if the defendant permits the introduction of evidence which supplies or remedies such defect;³⁴ thus, respondents' assent to the framing of the issues during pre-trial and their failure to object to the presentation of evidence on the issue of good or bad faith cured her defective complaint.

Finally, petitioner contends that the grant of respondents' demurrer amounts to a deprivation of property without due process of law, as she was prevented from defending her ownership over the same by duly confronting the respondents and their witnesses and proving that the agreement and deed of absolute sale were mere forgeries.

Respondents' Arguments

Respondents, on the other hand, argue in their Comment³⁵ that the CA was correct in declaring that petitioner's complaint in Civil Case No. LP-07-0109 failed to state a cause of action owing to her failure to allege that the property in question was purchased in bad faith. They add that petitioner failed to present evidence during trial to the effect that they bought the subject property in bad faith; that the scope of her evidence covered only her claim that she did not execute the subject agreement and deed of absolute sale, and that these documents are fictitious and forged – she did not present evidence to show that they were buyers in bad faith. Thus, they maintain that for failing to allege and prove bad faith on their part, the CA was correct in ordering the dismissal of Civil Case No. LP-07-0109.

Our Ruling

The Court grants the Petition.

In granting demurrer, the CA failed to consider that title to the property remained in petitioner's name; TCT 85533 was never cancelled and no new title was issued in respondents' name. As a matter of fact, what they did when

³⁴ Citing *Pascua v. Court of Appeals*, 262 Phil. 278 (1990).

³⁵ *Rollo*, pp. 186-191.

petitioner annotated her affidavit of loss upon TCT 85533 was to cause the annotation of an “affidavit of non-loss” afterward.

Since a new title was never issued in respondents’ favor and, instead, title remained in petitioner’s name, the former never came within the coverage and protection of the Torrens system, where the issue of good or bad faith becomes relevant. Since respondents never acquired a new certificate of title in their name, the issue of their good or bad faith which is central in an **annulment of title** case is of no consequence; petitioner’s case is for **annulment of the Agreement and Deed of Absolute Sale**, and not one to annul title since the certificate of title is still in her name. The jurisprudential bases for the CA’s pronouncement that there is a failure to state a cause of action if there is no allegation in the complaint that respondents were purchasers in bad faith – *Castillo v. Heirs of Vicente Madrigal*³⁶ and *Heirs of Julian Tiro v. Philippine Estates Corporation*³⁷ – involved complaints for annulment of **new titles** issued to the buyers; they cannot apply to petitioner’s case where title remains in her name.

Petitioner’s case is to annul the agreement and deed of sale based on the allegation that they are forgeries, and that respondents were parties to the fraud; since no new title was issued in respondents’ favor, there is no new title to annul. Indeed, if the agreement and deed of sale are forgeries, then they are a nullity and convey no title.³⁸ The underlying principle is that no one can give what one does not have. *Nemo dat quod non habet*.

In *Sps. Solivel v. Judge Francisco*, we held that:

x x x in order that the holder of a certificate for value issued by virtue of the registration of a voluntary instrument may be considered a holder in good faith for value, the instrument registered should not be forged. When the instrument presented is forged, even if accompanied by the owner’s duplicate certificate of title, the registered owner does not thereby lose his title, and neither does the assignee in the forged deed acquire any right or title to the property.

x x x The innocent purchaser for value protected by law is one who purchases a titled land by virtue of a deed executed by the registered owner himself, not by a forged deed, as the law expressly states. x x x

In *Instrade, Inc. v. Court of Appeals*, we reiterated the said ruling maintaining that “[A]s early as *Joaquin v. Madrid*, x x x, we said that in order that the holder of a certificate for value issued by virtue of the registration of a voluntary instrument may be considered a holder in good faith and for value, the

³⁶ Supra note 24.

³⁷ Supra note 25.

³⁸ *Fudot v. Cattleya Land, Inc.*, 559 Phil. 756, 766-767 (2007); *Salomon v. Intermediate Appellate Court*, 263 Phil. 1068, 1078-1081 (1990).

instrument registered should not be forged.” Indubitably, therefore, the questioned Deed of Absolute Sale did not convey any title to herein petitioners. Consequently, they cannot take refuge in the protection accorded by the Torrens system on titled lands.

Thus, we hold that with the presentation of the forged deed, even if accompanied by the owner’s duplicate certificate of title, the registered owner did not thereby lose his title, and neither does the assignee in the forged deed acquire any right or title to the said property. x x x³⁹ (Emphasis supplied)

In this case, it is petitioner who must be protected under the Torrens system – as the registered owner of the subject property. “A certificate of title serves as evidence of an indefeasible and incontrovertible title to the property *in favor of the person whose name appears therein*. The real purpose of the Torrens system of land registration is to quiet title to land and put a stop forever to any question as to the legality of the title.”⁴⁰

In *Tenio-Obsequio v. Court of Appeals*, we explained the purpose of the Torrens system and its legal implications to third persons dealing with registered land, as follows:

The main purpose of the Torrens system is to avoid possible conflicts of title to real estate and to facilitate transactions relative thereto by giving the public the right to rely upon the face of a Torrens certificate of title and to dispense with the need of inquiring further, except when the party concerned has actual knowledge of facts and circumstances that should impel a reasonably cautious man to make such further inquiry. Where innocent third persons, relying on the correctness of the certificate of title thus issued, acquire rights over the property, **the court cannot disregard such rights and order the total cancellation of the certificate. The effect of such an outright cancellation would be to impair public confidence in the certificate of title, for everyone dealing with property registered under the Torrens system would have to inquire in every instance as to whether the title has been regularly or irregularly issued by the court.** 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 beyond the certificate to determine the condition of the property.

The Torrens system was adopted in this country because it was believed to be the most effective measure to guarantee the integrity of land titles and to protect their indefeasibility once the claim of ownership is established and recognized. If a person purchases a piece of land on the assurance that the seller’s title thereto is valid, he should not run the risk of being told later that

³⁹ *Spouses Bernales v. Heirs of Julian Sambaan*, 624 Phil. 88, 104-105 (2010).

⁴⁰ *Peralta v. Heirs of Abalon*, G.R. No. 183448, June 30, 2014, citing *Pioneer Insurance & Surety Corporation v. Heirs of Vicente Coronado*, 612 Phil. 573 (2009). Italics supplied.

his acquisition was ineffectual after all. This would not only be unfair to him. What is worse is that if this were permitted, public confidence in the system would be eroded and land transactions would have to be attended by complicated and not necessarily conclusive investigations and proof of ownership. The further consequence would be that land conflicts could be even more numerous and complex than they are now and possibly also more abrasive, if not even violent. The Government, recognizing the worthy purposes of the Torrens system, should be the first to accept the validity of titles issued thereunder once the conditions laid down by the law are satisfied.

The Torrens system was intended to guarantee the integrity and conclusiveness of the certificate of registration, but the system cannot be used for the perpetration of fraud against the real owner of the registered land. The system merely confirms ownership and does not create it. **It cannot be used to divest lawful owners of their title for the purpose of transferring it to another one who has not acquired it by any of the modes allowed or recognized by law.** Thus, the Torrens system cannot be used to protect a usurper from the true owner or to shield the commission of fraud or to enrich oneself at the expense of another.⁴¹ (Emphasis and underscoring supplied)

A cursory examination of the record will show that petitioner's action does not appear to be groundless. There are circumstances which lead one to believe that respondents are not exactly innocent of the charge. Their failure to register the unnotarized and undated deed of absolute sale is at the very least unusual; it is contrary to experience. It is uncharacteristic of a conscientious buyer of real estate not to cause the immediate registration of his deed of sale as well as the issuance of a new certificate of title in his name. Having supposedly paid a considerable amount (₱250,000.00) for the property, respondents certainly would have protected themselves by immediately registering the sale and obtaining a new title in their name; but they did not. Even after petitioner caused the annotation of her affidavit of loss, respondents did not register their supposed sale, but merely annotated an "affidavit of non-loss." This, together with the fact that the deed of absolute sale is undated and unnotarized, places their claim that they are purchasers in good faith seriously in doubt. The ruling in *Rufloe v. Burgos*⁴² comes to mind:

We cannot ascribe good faith to those who have not shown any diligence in protecting their rights. Respondents had knowledge of facts that should have led them to inquire and investigate in order to acquaint themselves with possible defects in the title of the seller of the property. However, they failed to do so. Thus, Leonarda, as well as the Burgos siblings, cannot take cover under the protection the law accords to purchasers in good faith and for value. They cannot claim valid title to the property.

Moreover, the defense of indefeasibility of a Torrens title does not extend

⁴¹ Id.

⁴² 597 Phil. 261 (2009).

to a transferee who takes it with notice of a flaw in the title of his transferor. To be effective, the inscription in the registry must have been made in good faith. A holder in bad faith of a certificate of title is not entitled to the protection of the law, for the law cannot be used as a shield for fraud.

We quote with approval the following findings of the trial court showing that the sale between the Burgos siblings and Leonarda is simulated:

1. **The sale was not registered, a circumstance which is inconceivable in a legitimate transfer. A true vendee would not brook any delay in registering the sale in his favor. Not only because registration is the operative act that effects property covered by the Torrens System, but also because registration and issuance of new title to the transferee, enable this transferee to assume domiciliary and possessory rights over the property. These benefits of ownership shall be denied him if the titles of the property shall remain in the name of vendor. Therefore, it is inconceivable as contrary to behavioral pattern of a true buyer and the empirical knowledge of man to assume that a buyer who invested on the property he bought would be uninvolved and not endeavor to register the property he bought.** The nonchalance of Leonarda amply demonstrates the pretended sale to her, and the evident scheme of her brother Amado who invested on the property he bought.⁴³ (Emphasis supplied)

Most telling is respondents' Amended Answer with Compulsory Counterclaim, which tends to admit and indicate that when the December 4, 2003 Agreement with right of repurchase and unnotarized and undated Deed of Absolute Sale were executed, an individual – who falsely represented herself to be petitioner – appeared and signed these documents. Thus, respondents alleged in their amended answer that sometime in October 2003, Perez – accompanied by one Corazon Tingson (Tingson) **“and a female person who introduced herself as Ruby Ruth Serrano”** – offered to sell to them the property covered by TCT 85533; that **“in support of the identity of the said Ruby Ruth Serrano**, the original owner's copies of the title (TCT No. T-85533), Declaration of Real Property, Tax Clearance, Barangay Clearance, Community Tax Certificate with picture of Ruby Ruth Serrano attached therein” were presented to respondent Edilberto Ilano (Edilberto); that upon being satisfied as to the **“identity of the person who introduced herself as Ruby Ruth Serrano,”** Edilberto instructed his secretary to verify the authenticity of the title from the Register of Deeds of Las Piñas City and conduct an ocular inspection of the property; that **“the person who introduced herself as Ruby Ruth Serrano”** obtained a cash advance of ₱50,000.00; that after verification confirmed that the property is indeed owned by and registered in the name of Ruby Ruth Serrano, Edilberto – **“believing in good faith that the person [with] whom he is dealing x x x is indeed the real Ruby**

⁴³ Id. at 272-273.

Ruth Serrano” – entered into the sale transaction; that petitioner’s affidavit of loss filed with the Registry of Deeds is false as TCT 85533 was never lost but was entrusted to Perez who, together with Tingson **“and another person herein named as ‘Jane Doe’ whose identity is yet to be established who introduced herself as Ruby Ruth Serrano,”** came to respondents’ office to obtain a loan because petitioner was in dire need of money as she admitted in her complaint.

Even at the level of the CA, respondents admitted, in their petition for *certiorari*, that they bought the property not from petitioner, but from their “co-defendants who had a defective title” – presumably Perez and the impostor. The pertinent portion of their petition reads:

Bad faith cannot be presumed. It must be established by clear evidence. And it appearing that the subject complaint is for recovery and possession of a parcel of land, and **that defendants bought it from their co-defendants who had a defective title**, but does not allege in the complaint that the purchasers were buyers in bad faith or with notice of the defect in the title of their vendors x x x⁴⁴ (Emphasis supplied)

The above allegations in respondents’ pleadings are certainly revealing. They already knew petitioner’s identity and how she looked, having met her even before the filing of the complaint – when petitioner confronted them and they showed her the agreement and deed of sale. Thus, they should not have referred to the supposed seller as “*another person herein named as ‘Jane Doe’ whose identity is yet to be established who introduced herself as Ruby Ruth Serrano*” or “*the person who introduced herself as Ruby Ruth Serrano*” if indeed it was petitioner herself who appeared and signed the agreement and deed of sale in question. They should have categorically alleged that they bought the property from petitioner herself if indeed this was so. Their ambiguous allegations constitute a negative pregnant, which is in effect an admission.

Evidently, this particular denial had the earmark of what is called in the law on pleadings as a negative pregnant, that is, a denial pregnant with the admission of the substantial facts in the pleading responded to which are not squarely denied. It was in effect an admission of the averments it was directed at. Stated otherwise, a negative pregnant is a form of negative expression which carries with it an affirmation or at least an implication of some kind favorable to the adverse party. It is a denial pregnant with an admission of the substantial facts alleged in the pleading. Where a fact is alleged with qualifying or modifying language and the words of the allegation as so qualified or modified are literally denied, it has been held that the qualifying circumstances alone are denied while the fact itself is admitted.⁴⁵

“If an allegation is not specifically denied or the denial is a negative pregnant, the allegation is deemed admitted.” “Where a fact is alleged with some

⁴⁴ *Rollo*, p. 144.

⁴⁵ *Republic of the Philippines v. Sandiganbayan*, 453 Phil. 1059, 1107 (2003).

qualifying or modifying language, and the denial is conjunctive, a 'negative pregnant' exists, and only the qualification or modification is denied, while the fact itself is admitted." "A denial in the form of a negative pregnant is an ambiguous pleading, since it cannot be ascertained whether it is the fact or only the qualification that is intended to be denied." "**Profession of ignorance about a fact which is patently and necessarily within the pleader's knowledge, or means of knowing as ineffectual, is no denial at all.**"⁴⁶ (Emphasis supplied)

Finally, petitioner's complaint in Civil Case No. LP-07-0109 clearly states that in the execution of the agreement and deed of absolute sale, respondents and Perez acted in bad faith and connived in the forgery. Specifically, paragraph 18 of her complaint states, as follows:

18. That by reason of the actuations of the defendants in facilitating the execution of the aforesaid falsified documents, and adamant refusal to return to plaintiffs the duplicate original owner's copy of their title, which were all done with evident bad faith, the plaintiffs suffered and continue to suffer sleepless nights, wounded feelings, besmirched reputation, serious anxiety and other similar feelings, which, when quantified, can reasonably be compensated with the sum of Fifty Thousand (P50,000.00) Pesos, as moral damages;⁴⁷

Thus, the CA's pronouncement – that nowhere in the complaint is it alleged that respondents were purchasers in bad faith – is patently erroneous. The primary ground for reversing the trial court's denial of respondents' demurrer is therefore completely unfounded. Besides, the action itself, which is grounded on forgery, necessarily presupposes the existence of bad faith.

With the foregoing pronouncement, the Court finds no need to tackle the other issues raised by petitioner. They are rendered moot and irrelevant by the view taken and manner in which the case was resolved.

WHEREFORE, the Petition is **GRANTED**. The assailed February 2, 2011 Decision and July 28, 2011 Resolution of the Court of Appeals in CA-G.R. SP No. 113782 are **REVERSED** and **SET ASIDE**. The case is remanded to the Regional Trial Court of Las Piñas City, Branch 255 in Civil Case No. LP-07-0109 for proper disposition.

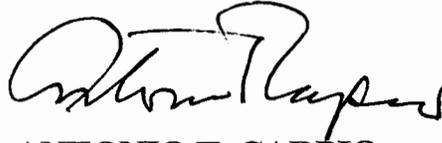
SO ORDERED.


MARIANO C. DEL CASTILLO
Associate Justice

⁴⁶ *Venzon v. Rural Bank of Buenavista (Agusan del Norte), Inc.*, G.R. No. 178031, August 28, 2013, 704 SCRA 138, 147-148.

⁴⁷ *Rollo*, pp. 68-69.

WE CONCUR:



ANTONIO T. CARPIO

Associate Justice

Chairperson



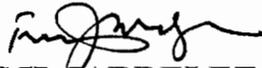
JOSE PORTUGAL PEREZ

Associate Justice



JOSE CATRAL MENDOZA

Associate Justice



FRANCIS H. JARDELEZA

Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO

Associate Justice

Chairperson



CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice

