

Proclamation No. 172 and Memorandum Order (M.O.) No. 119. The Land Management Bureau (LMB) approved the application and issued the Deed of Sale⁴ dated November 24, 2000. Thereafter, the Registry of Deeds of Rizal issued Transfer Certificate of Title (TCT) No. 37273 registering the above-mentioned property in petitioners' name.⁵

On March 3, 2014, Filipinas P. Salovino, Helen S. Tan, Norma S. Merida and Raul S. Padilla (respondents) filed a Complaint for Cancellation of Title, Declaration of Nullity of Instrument with Reconveyance and Damages⁶ against petitioners. They alleged that: they were the *bona fide* residents of the subject property; petitioners were able to secure the registration over the property through fraud and misrepresentation; petitioners falsely claimed in their application for registration that they resided in the said property when in fact they lived in Pasay City; petitioners were also awardees of a lot in Imus, Cavite; and petitioners were not eligible to acquire the present property pursuant to M.O. No. 119 and Republic Act (R.A.) No. 730 because they are not *bona fide* residents.

On April 15, 2014, petitioners filed their Motion to Dismiss⁷ arguing that the complaint should be dismissed for failure to state a cause of action as respondents were not the real parties-in-interest. They assailed that respondents admitted that the subject land belonged to the State. As such, petitioners posited that the present complaint was actually an action for reversion, which only the State could file.

In its November 25, 2014 Order, the RTC granted petitioners' motion and dismissed respondents' complaint. It agreed that the present action was one of reversion and, as such, may be instituted only by the State through the Office of the Solicitor General (OSG). The RTC disposed:

WHEREFORE, in view of the foregoing, the motion to dismiss is hereby **GRANTED** and the case is hereby **DISMISSED**.

SO ORDERED.⁸

Respondents moved for reconsideration but it was denied by the RTC in its March 12, 2015 Order.⁹ Undeterred, they appealed before the CA.

CA Decision

In its October 19, 2016 Decision, the CA reversed the RTC decision. The appellate court disagreed that what respondents had filed was a

⁴ Id. at 31-33.

⁵ Id. at 34-37.

⁶ Id. at 38-44.

⁷ Id. at 53-56.

⁸ Id. at 67.

⁹ Id. at 74.

reversion suit. It explained that a reversion suit is one which has the effect of cancelling a free patent and the corresponding TCT issued with the result that the land will again form part of the public domain of the State. The CA expounded that in the present case, respondents sought to transfer the title which had been erroneously awarded to petitioners allegedly because of fraud and misrepresentation. The appellate court posited that it was necessary for the trial court to conduct full blown hearings to determine whether petitioners had indeed fraudulently secured the registration of the subject property. Thus, it ruled:

WHEREFORE, premises considered, the instant appeal is hereby **GRANTED**. The Order dated 25 November 2014 of the Regional Trial Court (RTC), Branch 70, Pasig City, dismissing the plaintiffs-appellants' complaint on the ground of no cause of action is **SET ASIDE**. The case is **REMANDED** to the lower court for further proceedings to determine the imputation of fraud on the part of SPS. PADILLA. If fraud and other irregularities are proven, the lower court shall direct the Director of Lands to process and determine qualified applicants, including plaintiffs-appellants, to purchase the subject property.

SO ORDERED.¹⁰

Aggrieved, petitioners moved for reconsideration but it was denied by the CA in its July 4, 2017 Resolution.¹¹

Hence, this present petition, raising:

Issues

I

[WHETHER] THE COURT OF APPEALS SERIOUSLY ERRED IN HOLDING THAT RESPONDENTS' COMPLAINT QUESTIONING THE VALIDITY OF THE DEED OF SALE BETWEEN THE REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE LAND MANAGEMENT BUREAU AND TCT NO. 37273 IS NOT A REVERSION SUIT; AND

II

[WHETHER] THE COURT OF APPEALS SERIOUSLY ERRED IN SETTING ASIDE THE ORDER OF THE REGIONAL TRIAL COURT OF PASIG CITY, BRANCH 70 WHICH DISMISSED THE INSTANT COMPLAINT BECAUSE RESPONDENTS HAVE NO LEGAL STANDING TO FILE THE INSTANT COMPLAINT.¹²

¹⁰ Id. at 26.

¹¹ Id. at 29-30.

¹² Id. at 12.

Petitioners argue that when the pertinent allegations of the complaint admit State ownership over the disputed land, the action is one for reversion. They highlight that respondents' complaint never alleged that the subject property is a private land beyond the jurisdiction of the LMB. Petitioners assail that respondents never claimed that they are the owners of the property in question.

In their Comment¹³ dated April 20, 2018, respondents countered that their complaint was not an action for reversion but an ordinary civil action for nullity of certificate of title. They postulated that they are claiming a pre-existing right of ownership over the property in question even before the TCT was issued in petitioners' favor. Respondents added that they have also sufficiently pleaded an action for reconveyance, specifically that petitioners had acquired the property fraudulently. They pointed out that under the guidelines implementing Proclamation No. 172 petitioners are not entitled to the lot because they are not *bona fide* occupants of the property. Respondents insisted that they had legal standing to file the complaint as they are prioritized applicants for the award of the property for being *bona fide* residents thereof.

The Court's Ruling

The petition is meritorious.

A reversion proceeding is the manner through which the State seeks to revert land to the mass of public domain and is the proper remedy when public land is fraudulently awarded and disposed of in favor of private individuals or corporations.¹⁴ Reversion is not automatic as the government, through the OSG, must file an appropriate action.¹⁵ Since the land originated from a grant by the government, its cancellation is thus a matter between the grantor and the grantee.¹⁶ In other words, it is only the State which may institute reversion proceedings.¹⁷

Respondents are adamant that the present action is not one of reversion but for the reconveyance of the title fraudulently secured by petitioners. They assert that they are claiming a pre-existing right of ownership over the property in question even before the issuance of title in favor of the petitioners.

In *Heirs of Kionisala v. Heirs of Dacut*,¹⁸ the Court had clearly differentiated reversion proceedings from an ordinary civil action for

¹³ Id. at 129-136.

¹⁴ *Republic v. Heirs of Meynardo Cabrera*, G.R. No. 218418, November 8, 2017, 844 SCRA 549, 563-564.

¹⁵ *Sps. Maltos v. Heirs of Eusebio Borromeo*, 769 Phil. 598, 624 (2015).

¹⁶ *Republic v. Hachero*, 785 Phil. 784, 795 (2016).

¹⁷ *Urquiaga v. Court of Appeals*, 361 Phil. 660, 669 (1999).

¹⁸ 428 Phil. 249 (2002).

declaration of nullity of certificate of title, and an action for reconveyance, to wit:

An ordinary civil action for declaration of nullity of free patents and certificates of title is not the same as an action for reversion. The difference between them lies in the allegations as to the character of ownership of the realty whose title is sought to be nullified. In an action for reversion, the pertinent allegations in the complaint would admit State ownership of the disputed land. Hence in *Gabila v. Barriga* where the plaintiff in his complaint admits that he has no right to demand the cancellation or amendment of the defendant's title because even if the title were cancelled or amended the ownership of the land embraced therein or of the portion affected by the amendment would revert to the public domain, we ruled that the action was for reversion and that the only person or entity entitled to relief would be the Director of Lands.

On the other hand, **a cause of action for declaration of nullity of free patent and certificate of title would require allegations of the plaintiff's ownership of the contested lot prior to the issuance of such free patent and certificate of title** as well as the defendant's fraud or mistake, as the case may be, in successfully obtaining these documents of title over the parcel of land claimed by plaintiff. In such a case, the nullity arises strictly not from the fraud or deceit but from the fact that the land is beyond the jurisdiction of the Bureau of Lands to bestow and whatever patent or certificate of title obtained therefor is consequently void *ab initio*. The real party in interest is not the State but the plaintiff who alleges a pre-existing right of ownership over the parcel of land in question even before the grant of title to the defendant. x x x

x x x x

With respect to the purported cause of action for reconveyance, it is settled that in this kind of action the free patent and the certificate of title are respected as incontrovertible. What is sought instead is the transfer of the property, in this case the title thereof, which has been wrongfully or erroneously registered in the defendant's name. All that must be alleged in the complaint are two (2) facts which admitting them to be true would entitle the plaintiff to recover title to the disputed land, namely, (1) that the **plaintiff was the owner of the land** and, (2) that the defendant had illegally dispossessed him of the same.¹⁹ (Emphases supplied and citations omitted)

In other words, the alleged ownership of the property in question is crucial in delineating reversion proceedings from other ordinary civil actions such as declaration of nullity of certificate of title or reconveyance. In reversion proceedings, State ownership over the parcel of land is uncontroverted and the only question to be resolved is whether a title over the contested lot had been fraudulently or erroneously issued in the name of the defendant. Meanwhile, in both actions for declaration of nullity of certificate of title and reconveyance, complainants allege ownership over the property such that should the action be ruled in their favor, ownership of the

¹⁹ Id. at 260-262.

property does not revert to the State as it is directly conveyed to private individuals as the rightful owner of the property.

Thus, to determine whether the present action involves reversion or not, a review of the pertinent allegations in respondents' complaint is in order. The nature of the action, as well as the court which has jurisdiction, are defined by material allegations in the complaint.²⁰

In *Heirs of Kionisala*, the Court ruled that the action involved was one for declaration of nullity of free patent and title, and reconveyance. It was because the complainants therein had sufficiently pleaded that they had long been the absolute and exclusive owners and in actual possession of the property in question, and were deprived of ownership when the defendants obtained free patents and TCTs in their names.

In the same vein, the Court in *Banguilan v. Court of Appeals*,²¹ agreed with therein petitioners that the action involved was a declaration of nullity of free patents and TCTs. In the said case, petitioners had sufficiently alleged prior ownership by virtue of their and their predecessor-in-interest's actual, continuous, exclusive and notorious possession.

Unlike in *Heirs of Kionisala* and *Banguilan*, the complaint of respondents does not allege that the property in question had become private prior to the grant of the title to petitioners. In fact, the material allegations of the complaint admit that the subject land is owned by the State. It reads:

1. Plaintiffs are of legal age, Filipinos, and residents of Block 14, Lot 12, Phase 3, Deano Street, Upper Bicutan, Taguig City, where they may be served with summons, notices, and other legal processes of the Honorable Court;

x x x x

5. Plaintiffs are *bona-fide* residents of Block 14, Lot 12, Phase 3, Deano Street, Upper Bicutan, Taguig City. They occupied the said property since the year 1974. They resided therein as their resettlement site after they were evicted from Cabrera Pasay City

x x x x

7. Sometime on July 2, 2011, by means of fraud and misrepresentation, defendant Spouses Nelson A. Padilla and Clarita E. Padilla was able to secure a Transfer Certificate of Title No. 37273 covering the real property owned by the plaintiffs at Lot 12, Block 14 Upper Bicutan[,] Taguig City. x x x

²⁰ *Reyes v. Heirs of Deogracias Forlales*, 787 Phil. 541, 551 (2016).

²¹ 550 Phil. 739, 750 (2007).

X X X X

13. Being the *bona fide* residents of the subject property it should be the plaintiffs who have the **right to apply with the Lands Management Bureau for Title on the said real property**. Defendant Spouses Nelson A. Padilla and Clarita E. Padilla are not eligible to acquire the said parcel of land. However, despite repeated demands for the defendant spouses to reconvey the titles over the above-mentioned real property so that the plaintiffs can apply with the Lands Management Bureau for a title, the defendant Spouses failed, refused and continuously fail and refuse to reconvey the same resulting in great damage and prejudice to the Plaintiffs.

X X X X

RELIEF

X X X X

2. Ordering the Registrar of Deeds of Taguig [City] to cancel Transfer Certificate of Title No. 37273 (Annex "A" hereof) and to **reconvey ownership over the subject real properties in [favor] of the Republic of the Philippines;**

3. Ordering the defendant Lands Management Bureau to **award the subject real property to the Plaintiffs who are the bona fide residents thereof;**²² (Emphases and underscoring supplied)

A perfunctory reading of respondents' complaint may suggest that they claim ownership over the questioned property. In particular, they alleged in the seventh paragraph of the complaint that petitioners, through fraud and misrepresentation, secured a title over the property owned by respondents.

Nevertheless, a thorough and holistic review of respondents' complaint reveals that they do not in fact assert ownership over the subject property. They merely aver that they are the qualified applicants for a land grant from the government being the *bona fide* residents thereof. This is readily apparent when taking into account that in the reliefs respondents had prayed for in the complaint, they recognize that ownership over the parcel of land should first be reconveyed to the State, then for the State to award the property to them. In recognizing that ownership over the property should first revert to the State before title thereto is granted to them, respondents cannot now claim that they have a pre-existing right of ownership over the property in question even before the issuance of title in favor of petitioners.

Consequently, the RTC was correct when it granted petitioners' motion to dismiss. Since respondents did not actually allege ownership over the questioned property in their complaint, and had in fact conceded ownership to the State, the present action is that of reversion. As above-

²² Supra note 6.

mentioned, reversion proceedings may only be instituted by the State considering that the title of the land involved emanated from a grant by the State.

In *Taar v. Lawan*,²³ the Court expounded on the rationale why only the State has the personality to institute reversion proceedings, to wit:

The validity or invalidity of free patents granted by the government and the corresponding certificates of title is a matter between the grantee and the government. In explaining this rule, this Court in *Sumail v. Court of First Instance of Cotabato* underscored the nature of a free patent application, thus:

Consequently, Sumail may not bring such action or any action which would have the effect of cancelling a free patent and the corresponding certificate of title issued on the basis thereof, with the result that the land covered thereby will again form part of the public domain. *Furthermore, there is another reason for withholding legal personality from Sumail. He does not claim the land to be his private property. In fact, by his application for a free patent, he had formally acknowledged and recognized the land to be a part of the public domain; this, aside from the declaration made by the cadastral court that Lot 3633 was public land. Consequently, even if the parcel were declared reverted to the public domain, Sumail does not automatically become owner thereof. He is a mere public land applicant like others who might apply for the same. (Emphasis in the original)*

This principle was reiterated later in *Cawis v. Cerilles*, a case involving the validity of a sales patent. Thus:

[W]e must point out that petitioners' complaint questioning the validity of the sales patent and the original certificate of title over Lot No. 47 is, in reality, a reversion suit. The objective of an action for reversion of public land is the cancellation of the certificate of title and the resulting reversion of the land covered by the title to the State. This is why an action for reversion is oftentimes designated as an annulment suit or a cancellation suit.

Coming now to the first issue, Section 101 of the Public Land Act clearly states:

SEC. 101. All actions for the reversion to the Government of lands of the public domain or improvements thereon shall be instituted by the Solicitor General or the officer acting in his stead, in the proper courts, in the name of the Republic of the Philippines.

²³ G.R. No. 190922, October 11, 2017.

Even assuming that private respondent indeed acquired title to Lot No. 47 in bad faith, only the State can institute reversion proceedings, pursuant to Section 101 of the Public Land Act and our ruling in *Alvarico v. Sola*. *Private persons may not bring an action for reversion or any action which would have the effect of cancelling a land patent and the corresponding certificate of title issued on the basis of the patent, such that the land covered thereby will again form part of the public domain. Only the O[ffice] [of the] S[olicitor] G[eneral] or the officer acting in his stead may do so. Since the title originated from a grant by the government, its cancellation is a matter between the grantor and the grantee.*

Similarly, in *Urquiaga v. CA*, this Court held that there is no need to pass upon any allegation of actual fraud in the acquisition of a title based on a sales patent. Private persons have no right or interest over land considered public at the time the sales application was filed. They have no personality to question the validity of the title. *We further stated that granting, for the sake of argument, that fraud was committed in obtaining the title, it is the State, in a reversion case, which is the proper party to file the necessary action.* (Emphasis in the original)

Lorzano v. Tabayag, citing *Kayaban v. Republic*, explained the purpose of the rule:

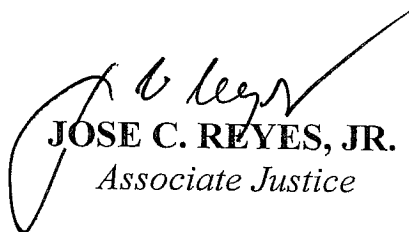
In *Kayaban, et al. v. Republic, et al.*, this Court explained the reason for the rule that only the government, through the OSG, upon the recommendation of the Director of Lands, may bring an action assailing a certificate of title issued pursuant to a fraudulently acquired free patent:

Since it was the Director of Lands who processed and approved the applications of the appellants and who ordered the issuance of the corresponding free patents in their favor in his capacity as administrator of the disposable lands of the public domain, the action for annulment should have been initiated by him, or at least with his prior authority and consent. (Citations omitted)

Similar to applicants of free patent, respondents do not claim that the property is their private property but acknowledged that it is part of the public domain in trying to buy the property pursuant to Proclamation No. 172 and M.O. No. 119. As such, even if petitioners may have committed fraud or misrepresentation in their application, ownership of the property reverts to the State and not to respondents. They are but applicants for the purchase of a land belonging to the public domain.

WHEREFORE, the petition is **GRANTED**. The October 19, 2016 Decision and July 4, 2017 Resolution of the Court of Appeals in CA-G.R. CV No. 104965 are **REVERSED** and **SET ASIDE**. The November 25, 2014 Order of the Regional Trial Court, Branch 70, Pasig City is **REINSTATED**.

SO ORDERED.




JOSE C. REYES, JR.
Associate Justice

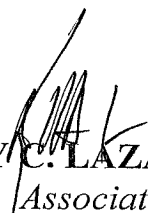
WE CONCUR:



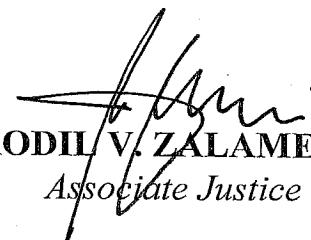
ANTONIO T. CARPIO
Senior Associate Justice
Chairperson



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



AMY C. LAZARO-JAVIER
Associate Justice



RODIL V. ZALAMEDA
Associate Justice

ATTESTATION

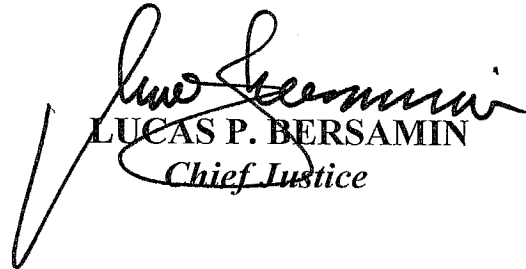
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Senior Associate Justice
Chairperson, Second Division

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.



LUCAS P. BERSAMIN
Chief Justice