

**G.R. No. 224678 – SPOUSES JOSE MANUEL and MARIA ESPERANZA RIDRUEJO\* STILIANOPOULOS,\*\* petitioners, versus THE REGISTER OF DEEDS FOR LEGAZPI CITY and the NATIONAL TREASURER, respondents.**

Promulgated:

July 3, 2018

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**SEPARATE CONCURRING OPINION**

**CAGUIOA, J.:**

The Petition assails the Decision dated March 16, 2016 and Resolution dated May 19, 2016 issued by the Court of Appeals (CA) in CA-G.R. CV No. 104207 holding that the action for damages filed by petitioners Jose Manuel and Maria Esperanza Ridruejo Stilianopoulos (collectively, Spouses Stilianopoulos) against the Assurance Fund had already prescribed.

To resolve the Petition, I am of the opinion that the determinative issue is whether a Torrens title issued despite non-compliance with the mandatory requirements for registration under Presidential Decree No. (PD) 1529<sup>1</sup> may serve as a source of a valid title to vest in a transferee thereof (who is able to secure a registered Torrens title in his name) the status of an innocent purchaser for value (IPV). Stated otherwise, can an unregistered certificate of title be a valid source of right so as to enable someone (a transferee thereof) to qualify as an IPV and trigger the running of the six-year prescriptive period to file an action against the Assurance Fund?

The facts are not in dispute.

Spouses Stilianopoulos were the owners of a 6,425-square meter property situated in Legazpi City. The property, designated as Lot 1320, was covered by Transfer Certificate of Title (TCT) No. 13450,<sup>2</sup> registered under the name of Jose Manuel Stilianopoulos (Jose Manuel).<sup>3</sup> The owner's duplicate copy of TCT No. 13450 has always been in Jose Manuel's possession.<sup>4</sup>

On October 9, 1995, Jose Fernando Anduiza (Anduiza) caused the cancellation of Jose Manuel's TCT No. 13450 and the alleged issuance of

\* Also spelled as "Riduejo," "Redrejo" and "Redruejo" in some parts of the *rollo*.

\*\* Also spelled as "Stilianopulos," "Stilianopolos" and "Stilianapulos" in some parts of the *rollo*.

<sup>1</sup> AMENDING AND CODIFYING THE LAWS RELATIVE TO REGISTRATION OF PROPERTY AND FOR OTHER PURPOSES, otherwise known as the Property Registration Decree, June 11, 1978.

<sup>2</sup> Erroneously referred to as TCT No. 13054 in the RTC Decision.

<sup>3</sup> *Rollo*, p. 37.

<sup>4</sup> *Id.* at 154 and 155.



TCT No. 42486 in his favor.<sup>5</sup> **Notably, the issuance of TCT No. 42486 was not entered in the Primary Entry Book (PEB) of the Register of Deeds (RD) of Legazpi City.**<sup>6</sup> A day later, the RD allegedly annotated on the original TCT No. 13450 a Deed of Absolute Sale (DAS) purportedly executed by Jose Manuel in Anduiza's favor.<sup>7</sup> **However, in separate Certifications dated January 8, 2008 and February 14, 2008, the RD later confirmed that no copy of the DAS had been found on file.**<sup>8</sup>

On January 8, 1998, Anduiza used TCT No. 42486 to constitute a mortgage over Lot 1320 in favor of Rowena Hua-Amurao (Amurao) in order to secure a loan.<sup>9</sup> Amurao later foreclosed the mortgage due to Anduiza's default, leading to the conduct of an auction sale where Amurao emerged as lone bidder.<sup>10</sup> Later still, on July 19, 2001, Anduiza's TCT No. 42486 was cancelled, and TCT No. 52392 was issued in Amurao's name.<sup>11</sup>

**It was only on January 28, 2008 when Spouses Stilianopoulos discovered Anduiza's fraudulent acts.** Thus, on May 2, 2008, they filed an action before the RTC, seeking to declare Anduiza and Amurao's TCTs null and void (First Action).<sup>12</sup>

Thirteen (13) days later, Amurao sold Lot 1320 to Joseph Funtares Co and several co-owners (Co, *et al.*). This sale led to the cancellation of Amurao's TCT, and the issuance of TCT No. 59654 in Co, *et al.*'s name on June 10, 2008.<sup>13</sup>

On February 11, 2009, the First Action was dismissed due to lack of jurisdiction, since the assessed value of Lot 1320 was not alleged in Spouses Stilianopoulos' complaint.<sup>14</sup> Thus, on March 18, 2009, Spouses Stilianopoulos filed another action for the annulment of Anduiza, Amurao and Co, *et al.*'s respective TCTs, recovery of possession of Lot 1320 and payment of damages (Second Action).<sup>15</sup> Spouses Stilianopoulos impleaded the RD, the National Treasurer (Treasurer), Anduiza, Amurao and Co, *et al.* as defendants.<sup>16</sup>

On August 19, 2013, the RTC issued a Decision: (i) dismissing the Second Action as against Amurao and Co, *et al.* as they were found to be purchasers in good faith and for value; (ii) finding Anduiza guilty of fraud and ordering him to pay Spouses Stilianopoulos the market value of Lot

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<sup>5</sup> Id. at 154.

<sup>6</sup> Id.

<sup>7</sup> Id. at 154-155.

<sup>8</sup> Id. at 155.

<sup>9</sup> Id. at 152, 155.

<sup>10</sup> Id. at 155.

<sup>11</sup> Id. at 152.

<sup>12</sup> Id. at 156.

<sup>13</sup> Id.

<sup>14</sup> See id. at 38-39, 156.

<sup>15</sup> Id. at 151.

<sup>16</sup> Id. at 152.



1320 and exemplary damages; and (iii) holding the Treasurer (as custodian of the Assurance Fund) subsidiarily liable for Anduiza's monetary liability.<sup>17</sup>

Anent the Assurance Fund's subsidiary liability, the RTC held:

x x x As shown by the documentary evidence, [Anduiza] clearly procured his title in bad faith through fraud, and as such is not entitled to protection of the law for the Torrens system of land registration was never intended as a means to perpetrate fraud. **The [RTC] finds that such fraud could not have been perpetrated by Anduiza alone without the active participation of the then [RD]. The evidence clearly established the irregularities in the cancellation of [the Spouses'] title and the issuance of [Anduiza's] title which cannot be done successfully without the complicity of the [RD].**

x x x x

x x x Contrary to the claim of the Solicitor General, the [RTC] believes and so holds that the right of action to claim recompense from the Assurance Fund first accrued upon the actual discovery of fraud which was on January 28, 2008.

x x x x

x x x [T]he [RTC] finds that because [Spouses Stilianopoulos] are residing in Spain and the fact that they are in possession of the owner's duplicate copy of TCT No. 13450 registered in their name and the fraudulent cancellation of their title by the [RD] in favor [of] *Anduiza* was unknown to them, if not effectively concealed from them, the reckoning period of prescription shall be from the time of their actual discovery of the fraud and not from the fraudulent registration of the title. x x x<sup>18</sup> (Emphasis supplied)

The RD and Treasurer appealed the RTC's Decision in the Second Action before the CA, but only to question the Assurance Fund's subsidiary liability.<sup>19</sup> **Since the other parties failed to appeal, the RTC's Decision became final and executory as to them.**<sup>20</sup>

On March 16, 2016, the CA issued a Decision modifying the RTC's Decision by deleting the Assurance Fund's subsidiary liability.<sup>21</sup> **Citing Section 102 of PD 1529, the CA held that any action for compensation against the Assurance Fund must be brought within a period of six years from the time the right to bring the action first occurred.**<sup>22</sup> The CA reckoned this period from the fraudulent issuance of Anduiza's TCT on October 9, 1995, and concluded that Spouses Stilianopoulos' claim against

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<sup>17</sup> Id. at 165-166.

<sup>18</sup> Id. at 163-164.

<sup>19</sup> Id. at 37.

<sup>20</sup> Id. at 44.

<sup>21</sup> Id. at 51.

<sup>22</sup> Id. at 47-48.

the Assurance Fund had already prescribed at the time their Second Action was filed on March 19, 2009.<sup>23</sup>

Aggrieved, Spouses Stilianopoulos now seek redress before the Court *via* Rule 45. **At the heart of the controversy is the reckoning date of the six-year period within which to file a claim against the Assurance Fund.**

Resolving the Petition, the *ponencia* holds that the constructive notice rule does not apply in cases of fraudulent registration under the Torrens system where the original title holders are unjustly deprived of their land without their negligence.<sup>24</sup> Thus, the *ponencia* concludes that in actions against the Assurance Fund arising from such circumstances, prescription “should be reckoned from the moment the [IPV] registers his or her title *and* upon actual knowledge thereof of the original title holder/claimant.”<sup>25</sup>

Proceeding therefrom, the *ponencia* grants the Petition based on the following findings: (i) Spouses Stilianopoulos were not in any way negligent as they kept the owner’s duplicate copy of TCT No. 13450 in their possession since its issuance;<sup>26</sup> (ii) Amurao and Co, *et al.* are conclusively deemed IPVs by virtue of the final judgment of the RTC, hence, their status as IPVs can no longer be revisited without violating the principle of immutability of judgments;<sup>27</sup> (iii) the six-year prescriptive period within which Spouses Stilianopoulos may bring an action against the Assurance Fund should be reckoned from **January 28, 2008**, or the date when they discovered the anomalous transactions involving Lot 1320;<sup>28</sup> and (iv) Spouses Stilianopoulos’ Second Action was filed on **March 18, 2009**, well within the six-year prescriptive period.<sup>29</sup>

I agree with the *ponencia* insofar as it grants the Petition. However, I submit that in view of the particular circumstances attendant in this case, the six-year prescriptive period herein should be *reckoned* from the day Spouses Stilianopoulos received notice of the partial entry of the RTC’s decision in the Second Action which characterized Amurao and Co, *et al.* as IPVs.<sup>30</sup> Since Spouses Stilianopoulos were the ones who filed the Second Action against Anduiza, Amurao, Co, *et al.*, **and the Assurance Fund**, then their six-year prescriptive period to claim against the latter did not even begin to run.

This submission is anchored on the following points:

- i. The IPV principle and constructive notice rule are integral in the Torrens system of registration, such that without a valid registration

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<sup>23</sup> Id. at 49.

<sup>24</sup> See *Ponencia*, p. 13.

<sup>25</sup> Id. Emphasis and underscoring omitted.

<sup>26</sup> See *id.* at 14.

<sup>27</sup> Id. at 15.

<sup>28</sup> Id.

<sup>29</sup> Id. at 16.

<sup>30</sup> See Order dated July 22, 2014, *rollo*, pp. 191-193.



pursuant to PD 1529, they cannot arise, much less be invoked. Thus, the IPV principle and constructive notice rule do not apply where no actual registration has taken place, as in this case.

- ii. Since Amurao and Co, *et al.*'s TCTs originate from one which is inexistent within the Torrens system, they cannot be accorded the status of being IPVs. Moreover, Spouses Stilianopoulos cannot be deemed to have constructive notice of the issuance of their respective titles.
- iii. The RTC erroneously extended to Amurao and Co, *et al.* the protection accorded by the Torrens system by awarding them the status of being IPVs. This error is extant even as the Court is bound, consistent with the principle of immutability of judgments, to respect the RTC's Decision in the Second Action in view of its finality.
- iv. Accordingly, in the face of the extant finding by the RTC itself that Amurao and Co, *et al.*'s TCTs originate from one which is inexistent within the Torrens system, then Amurao and Co, *et al.*'s status as IPVs stem *not* from the concurrence of circumstances required by law, but rather, only because of the RTC judgment that has already become final — in other words, since it is only by judicial fiat that Amurao and Co, *et al.* are considered IPVs, then such status cannot be made to retroact to the dates of issuance of Amurao and Co, *et al.*'s respective titles (which, to repeat, proceeds from a title that is inexistent within the Torrens system).
- v. Since Spouses Stilianopoulos lost their land by operation of the Torrens system *only* upon notice of the issuance of the Certificate of Finality (as it was only at this point when Amurao and Co, *et al.* could be regarded as IPVs), their claim against the Assurance Fund can only be deemed to have accrued at such time.

I discuss these matters in sequence.

*The IPV principle and the constructive notice rule are integral features of the Torrens system and may be applied only with respect to titles that have been placed under its scope through registration.*

The IPV principle and constructive notice rule proceed from the indefeasibility of titles issued under the Torrens system. These features are set forth in Sections 32 and 52 of PD 1529:



SEC. 32. *Review of decree of registration; Innocent purchaser for value.*—The decree of registration shall not be reopened or revised by reason of absence, minority, or other disability of any person adversely affected thereby, nor by any proceeding in any court for reversing judgments, subject, however, to the right of any person, including the government and the branches thereof, deprived of land or of any estate or interest therein by such adjudication or confirmation of title obtained by actual fraud, to file in the proper Court of First Instance a petition for reopening and review of the decree of registration not later than one year from and after the date of the entry of such decree of registration, but **in no case shall such petition be entertained by the court where an innocent purchaser for value has acquired the land or an interest therein, whose rights may be prejudiced. Whenever the phrase “innocent purchaser for value” or an equivalent phrase occurs in this Decree, it shall be deemed to include an innocent lessee, mortgagee, or other encumbrancer for value.**

Upon the expiration of said period of one year, the decree of registration and the certificate of title issued shall become incontrovertible. Any person aggrieved by such decree of registration in any case may pursue his remedy by action for damages against the applicant or any other persons responsible for the fraud.

x x x x

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

Both features stand to protect the registered title holder from any form of encroachment upon his/her right of ownership. **Such protection, as already explained, only extends to holders of Torrens titles issued in accordance with PD 1529.** Hence, those who claim to possess rights over real property which have not come under the Torrens system by virtue of registration can neither be accorded the status of being IPVs, nor can third persons be deemed to have constructive notice of their rights in the absence of actual registration, filing or entry in the RD.

With these principles in mind, it becomes clear that Amurao and Co, *et al.* assume the status of IPVs *not* by virtue of law, but merely because the RTC judgment holding them as such has become final and immutable.

*Anduiza’s TCT No. 42486 is not only void but also inexistent, as it was issued in violation of PD 1529.*

During the course of trial before the RTC, it was established that (i) the owner’s duplicate copy of Spouses Stilianopoulos’ TCT No. 13450 was



not presented to the RD for cancellation; and (ii) the issuance of Anduiza's TCT No. 42486 had not been recorded in the PEB.<sup>31</sup>

These undisputed findings clearly show that the mandatory requirements for registration of voluntary instruments under Sections 53 and 56 of PD 1529 had not been complied with, thus:

SEC. 53. *Presentation of owner's duplicate upon entry of new certificate.*—No voluntary instrument shall be registered by the Register of Deeds, unless the owner's duplicate certificate is presented with such instrument, except in cases expressly provided for in this Decree or upon order of the court, for cause shown.

x x x x

SEC. 56. *Primary Entry Book; fees; certified copies.*—Each Register of Deeds shall keep a primary entry book in which, upon payment of the entry fee, he shall enter, in the order of their reception, all instruments including copies of writs and processes filed with him relating to registered land. He shall, as a preliminary process in registration, note in such book the date, hour and minute of reception of all instruments, in the order in which they were received. **They shall be regarded as registered from the time so noted**, and the memorandum of each instrument, when made on the certificate of title to which it refers, shall bear the same date: Provided, that the national government as well as the provincial and city governments shall be exempt from the payment of such fees in advance in order to be entitled to entry and registration. (Emphasis supplied)

**Failure to comply with these requirements averts the registration process, and prevents the underlying transaction from affecting the land subject of the registration.**

The Court's ruling in the early case of *Levin v. Bass*<sup>32</sup> (*Levin*) is instructive:

x x x **Under the Torrens system the act of registration is the operative act to convey and affect the land.** [Does] the entry in the day book of a deed of sale which was presented and filed together with the owner's duplicate certificate of title with the office of the Registrar of Deeds and full payment of registration fees constitute a complete act of registration which operates to convey and affect the land? **In voluntary registration, such as a sale, mortgage, lease and the like, if the owner's duplicate certificate be not surrendered and presented or if no payment of registration fees be made within [fifteen] [(15)] days, entry in the day book of the deed of sale does not operate to convey and affect the land sold.** In involuntary registration, such as an attachment, levy upon execution, *lis pendens* and the like, entry thereof in the day book is a sufficient notice to all persons of such adverse claim. Eugenio Mintu fulfilled or took all the steps he was expected to take in order to have the Registrar of Deeds in and for the City of Manila issue to him the corresponding transfer certificate of title on the lot and

<sup>31</sup> *Rollo*, pp. 154-155, 157.

<sup>32</sup> 91 Phil. 419 (1952) [En Banc, Per J. Padilla].



house at No. 326 San Rafael Street sold to him by Joaquin V. Bass. The evidence shows that Eugenio Mintu is an innocent purchaser for value. Nevertheless, the court below held that the sale made by Bass to Mintu is as against Rebecca Levin without force and effect because of the express provision of law which in part says:

x x x x

x x x The pronouncement of the court below is to the effect that an innocent purchaser for value has no right to the property because he is not a holder of a certificate of title to such property acquired by him for value and in good faith. It amounts to holding that for failure of the Registrar of Deed[s] to comply and perform his duty an innocent purchaser for value loses that character—he is not an “innocent holder for value of a certificate of title.” The court below has strictly and literally construed the provision of law applicable to the case. If the strict and literal construction of the law made by the court below be the true and correct meaning and intent of the lawmaking body, the act of registration—the operative act to convey and affect registered property—would be left to the Registrar of Deeds. True, there is a remedy available to the registrant to compel the Registrar of Deeds to issue to him the certificate of title but the step would entail expense and cause unpleasantness. Neither violence to, nor stretching of the meaning of, the law would be done, if we should hold that **an innocent purchaser for value of registered land becomes the registered owner and in the contemplation of law the holder of a certificate thereof the moment he presents and files a duly notarized and lawful deed of sale and the same is entered on the day book and at the same time he surrenders or presents the owner's duplicate certificate of title to the property sold and pays the full amount of registration fees, because what remains to be done lies not within his power to perform.** The Registrar of Deeds is in (sic) duty bound to perform it. We believe that [this] is a reasonable and practical interpretation of the law under consideration—a construction which would lead to no inconsistency and injustice.<sup>33</sup> (Emphasis and underscoring supplied)

*Levin* thus teaches that an IPV “**becomes the registered owner and in the contemplation of law the holder of a certificate thereof the moment he does the following: (i) presents and files a duly notarized and lawful deed of sale; (ii) causes the same to be entered in the day book; (iii) he surrenders or presents the owner’s duplicate certificate of title to the property sold; and (iv) pays the full amount of registration fees.** While *Levin* was decided under the regime of the Land Registration Act,<sup>34</sup> it remains applicable as the requirements referred to thereunder had been carried over and re-adopted under Sections 51, 52, 53 and 56 of PD 1529.<sup>35</sup>

<sup>33</sup> Id. at 436-438.

<sup>34</sup> Act 496, November 6, 1902.

<sup>35</sup> The relevant provisions read, in part:

SEC. 51. *Conveyance and other dealings by registered owner.*—An owner of registered land may convey, mortgage, lease, charge or otherwise deal with the same in accordance with existing laws. He may use such forms of deeds, mortgages, leases or other voluntary instruments as are sufficient in law. But no deed, mortgage, lease, or other voluntary instrument, except a will purporting to convey or affect registered land shall take effect as a conveyance or bind the land, but shall operate only as a contract



The facts in this case show that at least three of the above four requirements had not been complied with.

*First*, as attested to in separate certifications dated January 8, 2008 and February 14, 2008 (Certifications), the RD confirmed that no copy of the DAS had been found on file;<sup>36</sup>

*Second*, the DAS was not entered in the PEB — indeed, even the issuance of TCT No. 42486 was not entered in the PEB;<sup>37</sup> and

*Third*, the Spouses Stilianopoulos' owner's duplicate certificate was not presented to the RD and was not entered in the PEB.

These irregularities precluded, prevented and averted the completion of the registration process — thus rendering TCT No. 42486, issued only because of the complicity of the RD, as **totally nonexistent**. Verily, the issuance of TCT No. 42486 did not have, as it could not have had, the effect of conveying any right in Anduiza's favor, **because no registration had in fact taken place**. Otherwise stated, TCT No. 42486 is not a valid or authentic Torrens title. Hence, it cannot be conferred the protection afforded by the Torrens system of registration. The titles that derive from this invalid

between the parties and as evidence of authority to the Register of Deeds to make registration.

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under this Decree, the registration shall be made in the office of the Register of Deeds for the province or city where the land lies.

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

SEC. 53. *Presentation of owner's duplicate upon entry of new certificate.*—No voluntary instrument shall be registered by the Register of Deeds, unless the owner's duplicate certificate is presented with such instrument, except in cases expressly provided for in this Decree or upon order of the court, for cause shown.

**The production of the owner's duplicate certificate, whenever any voluntary instrument is presented for registration, shall be conclusive authority from the registered owner to the Register of Deeds to enter a new certificate or to make a memorandum of registration in accordance with such instrument, and the new certificate or memorandum shall be binding upon the registered owner and upon all persons claiming under him, in favor of every purchaser for value and in good faith.**

x x x x

SEC. 56. *Primary Entry Book; fees; certified copies.*—Each Register of Deeds shall keep a primary entry book in which, upon payment of the entry fee, he shall enter, in the order of their reception, all instruments including copies of writs and processes filed with him relating to registered land. He shall, as a preliminary process in registration, note in such book the date, hour and minute of reception of all instruments, in the order in which they were received. **They shall be regarded as registered from the time so noted, and the memorandum of each instrument, when made on the certificate of title to which it refers, shall bear the same date:** Provided, that the national government as well as the provincial and city governments shall be exempt from the payment of such fees in advance in order to be entitled to entry and registration. (Emphasis supplied)

<sup>36</sup> *Rollo*, pp. 106, 109 and 155.

<sup>37</sup> *Id.* at 106, 154-155.

and unauthentic Torrens title are likewise invalid as truly, the spring cannot rise higher than the source. In effect, they are, in legal contemplation, inexistent.

In light of the foregoing, I cannot agree that TCT No. 42486 serves as a source of a valid title in the hands of Amurao and Co, *et al.*

*Anduiza's TCT No. 42486 cannot be a source of a valid title precisely because it is not a registered Torrens title.*

As stated, the IPV principle and the constructive notice rule both operate as a consequence of the Torrens system of registration, in order to secure the registered owner's Torrens title and to protect subsequent purchasers in good faith and for value against all liens and encumbrances which have not been registered and do not appear on the face of their Torrens titles. **However, the IPV principle and the constructive notice rule cannot be made to apply where, as here, no actual registration had in fact taken place.**

Considering the factual circumstances attendant in this case, I find the Court's ruling in *Escobar v. Luna*<sup>38</sup> (*Escobar*) squarely applicable. In *Escobar*, respondents' predecessor Clodualdo Luna sought to annul the TCTs issued in the name of petitioners Adelaida and Lolita Escobar. The disputed TCTs covered two lots situated in Tagaytay City, which respondents claim to have been in Clodualdo's possession since 1941. **In the course of trial, the RTC discovered that the petitioners made it appear that their TCTs originated from a completely spurious title which did not exist in the records of the RD.** Having lost before the CA, the petitioners filed a Rule 45 petition before the Court, asserting, among others, that they are IPV's entitled to protection under PD 1529.

Denying the petition, the Court held:

x x x [T]he certification dated June 11, 1990 issued by Atty. Cainza-Valenton, who was duly authorized to issue the certification, stating that **OCT No. 5483 was not existing in the files of the [RD] of the Province of Batangas and which confirmed that OCT No. 5483 was fictitious, making the titles derived from it spurious, is sufficient evidence for the stated purpose.** The [RD] of the Province of Batangas is the repository of all records regarding OCTs issued in that province, and the certification is therefore competent and admissible evidence to prove that the titles of the Escobars derived from it are from a fictitious source.

x x x x

x x x [P]etitioners state that the law insulates registered titles obtained under the Torrens system from the dangers of frivolous

<sup>38</sup> 547 Phil. 661 (2007) [Second Division, Per J. Quisumbing].



suits. Respondents did not even bother to discuss the issue, and for good reason. **Even if petitioners were innocent purchasers for value and in good faith, no right passed to a transferee from a vendor who did not have any right in the first place. Void ab initio land titles issued cannot ripen into private ownership. A spring cannot rise higher than its source.**<sup>39</sup> (Emphasis and underscoring supplied)

Similar to Anduiza's title, the fraudulent titles subject of the dispute in *Escobar* were spurious and inexistent in the records of the RD. **Like the fraudulent titles in *Escobar*, Anduiza's title cannot have the effect of conveying any right in Anduiza's favor, for, in fact and in law, no registration had taken place. The fact that there is no record in the RD of the registration of Anduiza's title makes his title spurious if not completely fabricated. In other words, the RTC's finding that Amurao and Co, et al. are IPVs was erroneous** because, in so ruling, the RTC afforded them protection under the Torrens system notwithstanding the fact that the Torrens title from which they sourced their respective TCTs is unregistered, inexistent and spurious. The subsequent certificates of title issued to Amurao and Co, et al., which are derived from Anduiza's unregistered certificate of title, are likewise spurious and legally inexistent.

**Such error becomes more glaring in the absence of evidence sufficient to establish that Amurao and Co, et al. had exercised due diligence in the acquisition of Lot 1320.** Verily, an IPV entitled to protection under PD 1529 "is one who buys the property of another, without notice that some other person has a right or interest in the property, for which a full and fair price is paid by the buyer at the time of the purchase or before receipt of any notice of claims or interest of some other person in the property."<sup>40</sup> Contrary to the RTC's pronouncement, good faith is *not* presumed in the case of a party claiming to be an IPV. *Nobleza v. Nueva*,<sup>41</sup> a decision rendered in 2015, is instructive:

x x x It is the party who claims to be an innocent purchaser for value who has the burden of proving such assertion, and it is not enough to invoke the ordinary presumption of good faith. To successfully invoke and be considered as a buyer in good faith, the presumption is that first and foremost, the "buyer in good faith" must have shown prudence and due diligence in the exercise of his/her rights. It presupposes that the buyer did everything that an ordinary person would do for the protection and defense of his/her rights and interests against prejudicial or injurious concerns when placed in such a situation. The prudence required of a buyer in good faith is "not that of a person with training in law, but rather that of an average man who 'weighs facts and circumstances without resorting to the calibration of our technical rules of evidence of which his knowledge is nil.'" A buyer in good faith does his homework and verifies that the particulars are in order — such as the title, the parties, the mode of transfer and the provisions in the deed/contract of sale, to name a few. **To be more specific, such prudence can be shown**

<sup>39</sup> Id. at 671-673.

<sup>40</sup> *Nobleza v. Nueva*, 755 Phil. 656, 663 (2015) [Third Division, Per J. Villarama, Jr.]. Emphasis omitted.

<sup>41</sup> Id.



by making an ocular inspection of the property, checking the title/ownership with the proper Register of Deeds alongside the payment of taxes therefor, or inquiring into the minutiae such as the parameters or lot area, the type of ownership, and the capacity of the seller to dispose of the property, which capacity necessarily includes an inquiry into the civil status of the seller to ensure that if married, marital consent is secured when necessary. In fine, for a purchaser of a property in the possession of another to be in good faith, he must exercise due diligence, conduct an investigation, and weigh the surrounding facts and circumstances like what any prudent man in a similar situation would do.<sup>42</sup> (Emphasis supplied)

The records of the case do not show that Amurao and Co, *et al.* sufficiently established that they exercised due diligence in the acquisition of Lot 1320. If they had in fact done so, they would have easily ascertained, **through a simple inquiry with the RD, that the alleged transfer of Lot 1320 in Anduiza's favor was neither supported by any deed or similar document, nor was such transfer entered in the PEB.** Amurao and Co, *et al.*'s alleged ignorance of such facts belies their status as IPVs.

Notwithstanding that Anduiza, Amurao, and Co, *et al.* could *not*, in law, be considered IPVs, the Court, following the rule on finality of judgments, is bound by the RTC's erroneous finding that they *are* IPVs. Time and again, this Court has emphasized that "a decision that has acquired finality becomes immutable and unalterable, and may no longer be modified in any respect even if the modification is meant to correct erroneous conclusions of fact and law, and whether it be made by the court that rendered it or by the Highest Court of the land."<sup>43</sup> While there are recognized exceptions<sup>44</sup> to this rule, I find that none exists in this case so as to merit disturbance of the RTC's decision with respect to Amurao and Co, *et al.*

That said, however, the finding of IPV status does not prevent the Court from reckoning the six-year period to file an action against the Assurance Fund not from the issuance of Amurao's title, but rather, from the day Spouses Stilianopoulos received notice of the partial entry of judgment of the RTC's decision characterizing Amurao and Co, *et al.* as IPVs.<sup>45</sup> **To stress, Amurao and Co, et al.'s status as IPVs had been vested not by virtue of the circumstances attending the issuance of their respective titles, but solely by the RTC's partial judgment, albeit erroneous, declaring them as such. Stated differently, Spouses Stilianopoulos lost their land by**

<sup>42</sup> Id. at 663-664.

<sup>43</sup> *Tomas v. Criminal Investigation and Detection Group (CIDG)*, 799 Phil. 310, 321 (2016) [Third Division, Per J. Peralta]. Emphasis supplied.

<sup>44</sup> Id. at 321, citing *FGU Insurance Corporation v. Regional Trial Court of Makati City Branch 66*, 659 Phil. 117, 123 (2011) [Second Division, Per J. Mendoza] which states:

But like any other rule, [the doctrine of finality of judgment] has exceptions: (1) the correction of clerical errors; (2) the so-called *nunc pro tunc* entries which cause no prejudice to any party; (3) void judgments; and (4) whenever circumstances transpire after the finality of the decision rendering its execution unjust and inequitable. The exception to the doctrine of immutability of judgment has been applied in several cases in order to serve substantial justice. x x x

<sup>45</sup> See Order dated July 22, 2014, *rollo*, pp. 191-193.



operation of the Torrens system *only* upon notice of the issuance of the Certificate of Finality, as it was only at this point when Amurao and Co, *et al.* could be regarded as IPVs — again, *not* on the basis of the circumstances attending the issuance of their respective TCTs, but only because of the finality of the RTC's findings. Considering that such notice came after the filing of the Second Action not only against Anduiza, Amurao, and Co, *et al.*, but also, against the Assurance Fund, then the Spouses Stilianopoulos' six-year prescriptive period to claim against the Assurance Fund did not even begin to run.

*Anduiza's TCT No. 42486 did not have the effect of conferring ownership in favor of Amurao and Co, et al., as it was issued without a supporting title and an underlying mode.*

In any case, even if it is assumed, *arguendo*, that Anduiza's title had in fact been duly registered, such did not have the effect of conveying title in Anduiza's favor, as registration does not operate to confirm ownership over real property which, in fact and in law, does not exist.

PD 1529 governs registration of title under the Torrens system. Registration under the Torrens system presupposes that ownership over the real property subject of the application had already been acquired through any of the modes of acquisition prescribed by law, as registration merely serves as the process through which existing ownership is confirmed.<sup>46</sup>

In turn, ownership over real property is acquired and transmitted by the concurrence of a title and a mode of acquisition.<sup>47</sup> Mode "is the specific cause which produces dominion and other real rights as a result of the co-existence of special status of things, capacity, x x x intention of person and [the] fulfillment of the requisites of law."<sup>48</sup> On the other hand, title is "the juridical right which gives a means to the acquisition of [such] rights."<sup>49</sup> Thus:

x x x [A]n asserted right or claim to ownership or a real right over a thing arising from a juridical act, however justified, is not *per se* sufficient to give rise to ownership over the *res*. That right or title must be completed by fulfilling certain conditions imposed by law. Hence, **ownership and real rights are acquired only pursuant to a legal mode or process. While title is the juridical justification, mode is the actual process of acquisition or transfer of ownership over a thing in question.**<sup>50</sup> (Emphasis supplied)

<sup>46</sup> See *Heirs of Clemente Ermac v. Heirs of Vicente Ermac*, 451 Phil. 368 (2003) [Third Division, Per J. Panganiban].

<sup>47</sup> See Eduardo P. Caguioa, I *Comments and Cases on Civil Law* 774 (1961).

<sup>48</sup> *Id.* at 773.

<sup>49</sup> *Id.*

<sup>50</sup> *Acap v. Court of Appeals*, 321 Phil. 381, 390 (1995) [First Division, Per J. Padilla].



Article 712 of the Civil Code provides the following modes of acquiring and transmitting ownership and other real rights over property: by occupation, by intellectual creation, by law, by donation, by testate and intestate succession, by prescription, and in consequence of certain contracts, by tradition.

In order that ownership may be transmitted by one person to another, the thing to be transmitted “must form part of his patrimony.”<sup>51</sup> As a corollary, *actual* ownership should neither be confused nor deemed synonymous with the existence of a Torrens title in one’s name. A Torrens title merely serves as *evidence* of ownership or title over the particular property described therein.<sup>52</sup> **Consequently, registration neither operates to confirm nor convey ownership over land which does not in fact exist.** As explained by the Court in *Chavez v. Public Estates Authority*<sup>53</sup>:

x x x Registration of land under Act No. 496 or [PD 1529] does not vest in the registrant private or public ownership of the land. Registration is not a mode of acquiring ownership but is merely evidence of ownership previously conferred by any of the recognized modes of acquiring ownership. **Registration does not give the registrant a better right than what the registrant had prior to the registration.** The registration of lands of the public domain under the Torrens system, by itself, cannot convert public lands into private lands.<sup>54</sup> (Emphasis supplied)

Here, Spouses Stilianopoulos, the owners of the land, had no intention to convey Lot 1320 in favor of Anduiza. The DAS allegedly executed between them does not even exist in the records of the RD. Verily, Anduiza’s unregistered Torrens title did not proceed from any title or mode, and thus, did not have the effect of conveying ownership of Lot 1320 in his favor. Necessarily, Anduiza could not subsequently convey ownership and any other real rights over Lot 1320, as it never formed part of his patrimony. Again, the spring cannot rise higher than its source.

It cannot be stressed enough that Spouses Stilianopoulos have been in possession of their owner’s duplicate certificate since its issuance, and as such, were not expected to wait in the portals of the court to avoid the possibility of losing their land. The denial of their Petition would have the effect of unduly leaving Spouses Stilianopoulos without any remedy whatsoever **for what is effectively a robbery of their property** — and thereby defeat the very purpose of the land registration system, as illustrated in the early case of *Legarda v. Saleeby*<sup>55</sup>:

<sup>51</sup> Eduardo P. Caguioa, *supra* note 47.

<sup>52</sup> *Heirs of Clemente Ermac v. Heirs of Vicente Ermac*, *supra* note 46, at 377.

<sup>53</sup> 433 Phil. 506 (2002) [En Banc, Per J. Carpio].

<sup>54</sup> *Id.* at 581-582.

<sup>55</sup> 31 Phil. 590 (1915) [First Division, Per J. Johnson].



x x x The real purpose of that system is to quiet title to land; to put a stop forever to any question of the legality of the title, except claims which were noted at the time of registration, in the certificate, or which may arise subsequent thereto. **That being the purpose of the law, it would seem that once a title is registered the owner may rest secure, without the necessity of waiting in the portals of the court, or sitting in the “mirador de su casa,” to avoid the possibility of losing his land.** x x x<sup>56</sup>  
(Emphasis supplied)

For these reasons, I vote with the *ponencia* to **GRANT** the Petition.



**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

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<sup>56</sup> Id. at 593.