



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

HECTOR L. UY,
Petitioner,

G.R. No. 164961

- versus -

**VIRGINIA G. FULE; HEIRS OF
THE LATE AMADO A. GARCIA,
namely: AIDA C. GARCIA,
LOURDES G. SANTAYANA,
AMANDO C. GARCIA, JR.,
MANUEL C. GARCIA, CARLOS
C. GARCIA, and CRISTINA G.
MARALIT; HEIRS OF THE
LATE GLORIA GARCIA
ENCARNACION, namely:
MARVIC G. ENCARNACION,
IBARRA G. ENCARNACION,
MORETO G. ENCARNACION, JR.,
and CARINA G. ENCARNACION;
HEIRS OF THE LATE PABLO
GARCIA, namely: BERMEDIO
GARCIA, CRISTETA GARCIA,
HONORATO GARCIA,
VICENTE GARCIA, PABLO
GARCIA, JR., and TERESITA
GARCIA; HEIRS OF THE LATE
ELISA G. HEMEDES, namely:
ROEL G. HEMEDES, ELISA G.
HEMEDES, ROGELIO G.
HEMEDES, ANDORA G.
HEMEDES, and FLORA G.
HEMEDES,**

Respondents.

Present:

SERENO, C.J.,
LEONARDO-DE CASTRO,
BERSAMIN,
VILLARAMA, JR., and
REYES, JJ.

Promulgated:

JUN 30 2014

DECISION

BERSAMIN, J.:

The decisive question here is whether or not the petitioner was a purchaser in good faith of the property *in litis*. The standard is that for one to be a purchaser in good faith in the eyes of the law, he should buy the property of another without notice that some other person has a right to, or interest in, such property, and should pay a full and fair price for the same at the time of such purchase, or before he has notice of the claim or interest of some other persons in the property.¹ He buys the property with the belief that the person from whom he receives the property was the owner and could convey title to the property.² Indeed, a purchaser cannot close his eyes to facts that should put a reasonable man on his guard and still claim he acted in good faith.³

The Case

Under appeal by petition for review on *certiorari* is the decision promulgated on February 17, 2004,⁴ whereby the Court of Appeals upheld the judgment rendered in favor of the respondents on June 30, 2000 by the Regional Trial Court, Branch 32, in Pili, Camarines Sur (RTC).⁵

Antecedents

The dispute herein involves the parcel of land registered under Transfer Certificate of Title (TCT) No. 30111 of the Registry of Deeds of Camarines Sur with an area of 180,150 square meters located in San Agustin, Pili, Camarines Sur that was part of the vast tract of land covered by TCT No. 1128 registered in the name of the late Conrado Garcia. TCT No. 1128 was derived from Original Certificate of Title (OCT) No. 854 registered on November 23, 1933 in the Registration Book of the Register of Deeds of Camarines Sur pursuant to Decree No. 517240, No. 854, issued in LRC GLRO Record No. 47802.

¹ *Sandoval v. Court of Appeals*, G. R. No. 106657, August 1, 1996, 260 SCRA 283, 296-297, citing *Agricultural and Home Extension Development Corporation v. Court of Appeals*, G.R. No. 92310, September 10, 1992, 213 SCRA 563, 565-566; *Santos v. Court of Appeals*, G.R. No. 90380, September 13, 1990, 189 SCRA 550; *Fule v. De Legare*, G.R. No. L-17951, February 28, 1963, 7 SCRA 351, 356; *De Santos v. Intermediate Appellate Court*, No. L-69591, January 25, 1988, 157 SCRA 295, 301-302.

² *Duran v. Intermediate Appellate Court*, G. R. No. L-64159, September 10, 1985, 138 SCRA 489, 494; *Arriola v. Gomez de la Serna*, 14 Phil. 627 (1909).

³ *Embrado v. Court of Appeals*, G.R. No. 51457, June 27, 1994, 233 SCRA 335, 344.

⁴ *Rollo* (G.R. No. 164961), pp. 9-22; penned by Associate Justice Noel G. Tijam, and concurred in by Associate Justice Ruben T. Reyes (later Presiding Justice, and a Member of the Court, but now retired) and Associate Justice Edgardo P. Cruz (retired).

⁵ *Id.* at 145-152.

Upon the death of Conrado Garcia on November 23, 1972, his heirs entered into an extrajudicial settlement of his estate, including the vast track of land. Thereafter, his heirs caused the registration on March 7, 1973 of the vast track of land under TCT No. RT-8922 (16498), covering Lot 1, PSU-81269 and Lot 2, PSU-81269.⁶

In September 1985, the Department of Agrarian Reform (DAR) engaged Geodetic Engr. Rolando A. Sales (Engr. Sales) to conduct a survey of the disputed land, referring to it as Lot 562, Cad. 291 (Csd-05-003874). Together with DAR Technologist Carmen Sorita and DAR Team Leader Julian F. Israel, Engr. Sales issued a joint certification dated August 30, 1988 to the effect that the disputed land was an “untitled” property owned by Conrado Garcia. The joint certification dated August 30, 1988 was buttressed by the certification issued on January 30, 1989 by the Office of the Register of Deeds of Camarines Sur to the effect that no title covering Lot 562, Cad. 291 (Csd-05-003874) appeared on record. As a result, the disputed land was included in the Operation Land Transfer (OLT) program of the DAR pursuant to Presidential Decree No. 27.

In 1988, the DAR and the Office of the Register of Deeds of Camarines Sur respectively issued emancipation patents (EPs) and original certificates of title (OCTs) covering the disputed land to the farmers-beneficiaries, namely: Catalino Alcaide, Mariano Ronda, Ponciano Ermita, Felipe Marcelo, Salvador Pedimonte, Fabiana Pedimonte and Leonila Pedimonte (farmers-beneficiaries).⁷

In the interim, farmer-beneficiary Mariano Ronda sold his portion to Chisan Uy who then registered his title thereto under TCT No. 29948 and TCT No. 29949 of the Registry of Deeds of Camarines Sur. On the other hand, the heirs of farmer-beneficiary Mariano Ronda (Isabel Ronda, *et al.*) sold their land to petitioner Hector Uy for ₱10 million. The petitioner registered his title thereto under TCT No. 31436 and TCT No. 31437, both of the Registry of Deeds of Camarines Sur.

In 1997, TCT No. RT-8922 (16498) was cancelled following the partition of the property covered therein. Subsequently, TCT No. 30136 and TCT No. 30111 were issued in the names of respondents heirs of the late Conrado Garcia. TCT No. 30111 covered the disputed land.⁸

In 1998, the President, acting through the DAR Secretary, issued EPs to the farmers-beneficiaries pursuant to P.D. No. 27 and P.D. No. 266, to wit:

⁶ Id. at 10-11.

⁷ Id. at 11.

⁸ Id. at 11-12.

1. To Catalino Alcaide, OCT No. 8534 and OCT No. 8549, which were cancelled by TCT No. 29948 and TCT No. 29949 in the name of Chisan Uy;
2. To Mariano Ronda, OCT No. 9852 and OCT No. 9853, which were cancelled by TCT No. 301120 and TCT No. 301121; and, in turn, TCT No. 301120 and TCT No. 301121 were cancelled by TCT No. 31436 and TCT No. 31437 in the name of petitioner Hector Uy;
3. To Ponciano Ermita, OCT 8539;
4. To Felipe Marcelo, OCT No. 8542;
5. To Salvador Pedimonte, OCT Nos. 8545 and 8546;
6. To Fabiana Pedimonte, OCT No. 9848; and
7. To Leonila Pedimonte, OCT No. 9849.⁹

On December 21, 1998, the respondents filed a complaint for cancellation of titles, quieting of title, recovery of possession, and damages against the DAR Secretary; the Municipal Agrarian Reform Officer of Pili, Camarines Sur; DAR Technologist Carmen Sorita; DAR Team Leader Julian Israel; Engr. Sales; and Regional Director Antonio Nuesa of DAR Regional Office No. V (public defendants) and the farmer-beneficiaries (private defendants) in the Regional Trial Court (RTC) in Pili, Camarines Sur, alleging that they had been denied due process; and that the titles of the defendants (who included the petitioner) in the disputed land constituted clouds on their own title. They prayed that the private defendants' certificates of title, including those of their purchasers Chisan Uy and the petitioner, be cancelled; that the private defendants be ordered to surrender the possession of the disputed land to them; and that in default thereof the private defendants be ordered to pay the fair market value of the property, with reparation for damages in either case.¹⁰

Ruling of the RTC

On June 30, 2000,¹¹ the RTC resolved in favor of the respondents by finding that no notice of the inclusion of the disputed land under the operation of P.D. No. 27 had been given to them. The RTC decreed thusly:

⁹ Id. at 12-13.

¹⁰ Id.

¹¹ Supra note 5.

IN VIEW OF THE FOREGOING CONSIDERATIONS, judgment is hereby rendered:

1. Declaring plaintiffs as the owners of the lands covered by TCT No. 30111 and declaring said title as VALID, BINDING AND EFFECTIVE, against the whole world;
2. Declaring null and void all the proceedings taken by public defendants in the generation of the certificates of land transfer and emancipation patents, on the bases of which the OCTs mentioned in paragraphs 2 and 3 of this decision were issued by the Register of Deeds of Camarines Sur;
3. Ordering the Register of Deeds of Camarines Sur to cancel all the OCTs and TCTs mentioned in paragraph 2 and 3 of this decision;
4. Ordering defendants whose titles were cancelled to surrender the possession of the lands covered by their cancelled titles to the plaintiffs and condemning them to PERPETUAL SILENCE in so far as TCT 30111 is concerned.

NO COSTS.

SO ORDERED.¹²

Decision of the CA

Isabel Ronda, *et al.* (heirs of deceased farmer-beneficiary Mariano S. Ronda), Catalino Alcaide, Julia Casaysayan, Chisan Uy, and the petitioner appealed to the CA.

The defendant public officials did not appeal.¹³ Also not appealing were defendants farmers-beneficiaries (with their respective OCTs) Spouses Salvador R. Pedimonte and Herminia Barrientos (OCT Nos. 8545 and 8546); Spouses Angeles C. Ronda and Consolacion Pedimonte (OCT No. 9851); Spouses Felipe Marcelo and Isabel Nacario (OCT No. 8542); Leonila S. Pedimonte (OCT No. 9849); Ponciano Ermita (OCT No. 8539); and Fabiana R. Pedimonte (OCT No. 9848).¹⁴ Accordingly, on September 5, 2003, the Clerk of Court of the RTC issued the certificate of finality as to them, as well as a writ of partial execution.

Isabel Ronda, *et al.* raised the following errors on appeal, namely: (1) that the court *a quo* erred in acquiring jurisdiction over the case; and (2) the

¹² Id. at 152.

¹³ Id. at 15-16.

¹⁴ Id. at 16.

court *a quo* erred in ordering the ejectment of the appellants, heirs of deceased spouses, Mariano S. Ronda and Fidela Cortez-Ronda.¹⁵

On their part, Catalino Alcaide, Julia Casaysayan, and Chisan Uy claimed that the RTC erred in assuming jurisdiction over the case when in fact it had no such jurisdiction; in holding that the titles issued to the tenants Spouses Alcaides and Chisan Uy were void; and in holding that the proceedings taken by the public defendants in generating the CLTs and EPs were void.¹⁶

In his appeal, the petitioner insisted that the RTC gravely erred in holding that he had not been an innocent purchaser in good faith and for value; and in declaring void and ordering the cancellation of TCT No. 31436 and TCT No. 31437, among others.¹⁷

For their part, the respondents asserted that the disputed land, being originally registered under OCT No. 854, and later on under TCT No. 1128, and still later on under TCT No. RT-8922, and now under TCT No. 30111, did not lose its character as registered land; and that as registered land, the disputed land should not have been subject of another land registration proceeding from which the EPs and the certificates of title of the private defendants could be derived.¹⁸

In its decision promulgated on February 17, 2004,¹⁹ the CA ruled in favor of respondents, *viz*:

WHEREFORE, this appeal is **DENIED**. The assailed *Decision* dated June 30, 2000 of the Regional Trial Court of Pili, Camarines Sur, Branch 32 in Civil Case No. P-2167 is hereby **AFFIRMED**.

SO ORDERED.

On the inclusion of the disputed land under the DAR's OLT Program (P.D. No. 27), the CA observed:

Significantly, the disputed land was earlier extra-judicially settled by the plaintiffs-appellees as heirs of the original owner. The disputed land was already titled to plaintiffs-appellees at the time that public respondent DAR included it in the operation of PD No. 27. The DAR's finding that the same was an "untitled" property is belied not only by the records but,

¹⁵ Id. at 14.

¹⁶ Id. at 14-15.

¹⁷ Id. at 15.

¹⁸ Id.

¹⁹ *Supra* note 4, at 21.

more so, by the failure of defendants-appellants to refute plaintiffs-appellees' assertion to the contrary.

Moreover, for a valid application of PD No. 27, the procedures outlined under PD No. 266 should have been observed, among which is the duty of the Register of Deeds to notify the *registered owner* concerning such application within a reasonable time. However, as found by the Trial Court, no such notice was served on plaintiffs-appellees, precisely due to the erroneous premise that the disputed land was "untitled property".

Prescinding from the said wrong premise that the disputed land was an untitled property, no payment of just compensation was made to the registered owners. Such failure or absence of payment violates the very law (PD 27) from which the titles of defendants were purportedly derived. Hence, the land transfer initiated by the DAR involving the disputed land is not only irregular but also unlawful for having been undertaken in violation of the law.

Moreover, a land covered by a title which is outstanding cannot be the subject of an application for registration unless the existing title which has become infeasible is first nullified by a proper court proceeding. Consequently, the Emancipation Patents and the Certificates of Titles issued as a result of the DAR's Operation Land Transfer program over an already registered land have no legal foundation or basis. Such subsequent titles must be cancelled because they cast clouds on the earlier existing, valid and uncanceled title of plaintiffs-appellees. For all intents and purposes, they are redundant titles that cannot supplant or supersede existing valid titles.²⁰

On whether the petitioner and Chisan Uy had been purchasers in good faith and for value without any notice of any defect in the title of the seller (*i.e.*, the heirs of the farmers-beneficiaries), the CA decreed:

We disagree. Even assuming *arguendo* that they had no notice of any defect in their transferors' titles, and the lands sold to them should be included in the DAR's *Operation Land Transfer* (OLT) program, no valid title could have passed to them because the transfers are void under PD 27. PD 27 explicitly provides:

x x x x

Title to land acquired pursuant to this Decree or the Land Reform Program of the Government shall not be transferable except by hereditary succession or to the Government in accordance with the provisions of this Decree, the Code of Agrarian Reforms and other existing laws and regulations;

x x x x (Emphasis supplied)

²⁰ Id. at 19-20.

Based on the above-quoted provision, appellant-purchasers Hector and Chisan Uy are clearly not the qualified transferees of the lands sold to them.

More importantly, the policy of the State in passing PD 27 is to emancipate the tiller of the soil from his bondage by transferring to him the ownership of the land he tills. The prohibition against its transfer is for the purpose of preserving the land for the sole benefit and enjoyment of the farmer and his family. To sustain the transfer of the lands to appellants-purchasers would clearly not achieve that purpose. It would, in fact, defeat it.

The titles of appellant-purchasers Hector Uy and Chisan Uy are, therefore, voided. Ownership of the lands unlawfully transferred to them, remains with plaintiffs-appellees. However, this is without prejudice to whatever legal remedies these appellant-purchasers may avail to recover what they had paid to their transferors.²¹

In its resolution of August 18, 2004 denying the petitioner's motion for reconsideration, the CA, citing *Baltazar v. Court of Appeals*,²² correctly observed:

The property subject of the said *Baltazar* case was titled in the name of the private respondent Good Earth Enterprises, Inc. Petitioner therein, Baltazar, claimed ownership of the property, tracing his rights from an alleged vast Spanish grant to one "Don Hermogenes Rodriguez, Governor General of Intramuros, Manila" down to a deed of sale over the subject lots allegedly executed by one Pedro Asedillo (for whose mother, Baltazar had been a tenant sharing in the rice harvest from the lots). Baltazar filed a case for declaration of ownership and reconveyance, and was declared by the court as the true owner of the property. Consequently, Good Earth's title was cancelled and another one issued in Baltazar's name. Baltazar promptly sold the land to third parties. Good Earth filed a case for annulment of judgment and reconveyance. Baltazar argued that his vendees are innocent purchasers for value. The Supreme Court, in upholding Good Earth's title, declared:

We might assume for the moment and for purposes of argument only that Baltazar's vendees had successfully proven they were purchasers in good faith and for value. **Even so, as between two persons both of whom are in good faith and both innocent of any negligence, the law must protect and prefer the lawful holder of registered title over the transferee of a vendor bereft of any transmissible rights.** Under the foregoing principle derived from the above case law, Baltazar's vendees have no rights as against Good Earth. Their recourse is against Baltazar himself." (Emphasis supplied.)²³

X X X X

²¹ Id. at 20-21.

²² No. L-78728, December 8, 1988, 168 SCRA 354.

²³ *Rollo*, p. 63.

Like Baltazar, Hector and Chisan Uy's transferors had no transmissible rights because their titles were void, having emanated from an erroneous declaration that the property is untitled, and from an irregular or procedurally flawed implementation of the agrarian reform law (as there was no notice to the registered owner that the subject property would be placed under the Operation Land Transfer program, and there was no payment of just compensation). Accordingly, Hector and Chisan Uy's titles are likewise void.²⁴

Issues

Hence, the petitioner has appealed, along with Chisan Uy, Catalino Alcaide and Julia Casaysayan. The petition for review on *certiorari* of Chisan Uy, Alcaide and Casaysayan was docketed as G.R. No. 165320, and that of petitioner Hector Uy as G.R. No. 164961.

On January 21, 2008, the Court promulgated a resolution in G.R. No. 165320, pertinently stating:

x x x It appearing that Atty. Nelson P. Paraiso, counsel for petitioners in G.R. No. 165320, failed to file reply to the comment on the petition for review on *certiorari* as required in the Resolution dated 24 August 2005 within the extended period which expired on 01 December 2006, the petition is hereby ordered **DENIED** for failure to comply with said resolution, which amounts to failure to prosecute.

In any event, petitioner failed to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the exercise of this Court's discretionary appellate jurisdiction. Besides, the issues raised are factual in nature.²⁵

As such, only the petitioner's appeal remains unresolved. Towards that end, he insists that the CA erred: (a) in failing to find that he was an innocent purchaser for value who had the better right than the respondents over the disputed land; and (b) in failing to find that the law applicable to the dispute was R.A. No. 6657 (approved on June 10, 1988), not P. D. No. 27.²⁶

The petitioner argues that he paid a full and fair price of ₱10,000,000.00 to Isabel Ronda, *et al.* for the lots in dispute, said lots having a base market value of only ₱7,717,000.00;²⁷ that all the documents shown to him by the vendors (Isabel Ronda, *et al.*) did not indicate any defect in the title or any claim by the respondents in the lots in dispute; that,

²⁴ Id. at 64.

²⁵ *Rollo* (G.R. No. 165320), p. 467.

²⁶ *Rollo* (G.R. No. 164961), p. 77.

²⁷ Id. at 78-79.

accordingly, before he and the vendors (Isabel Ronda, *et al.*) entered into the deed of sale, there was absolutely nothing in the documents that showed any defect in the title conveyed to him; that, specifically, OCT No. 9852 and OCT No. 9853, which were on file in the Registry of Deeds, showed that the lots in dispute had been awarded to a *bona fide* tenant-beneficiary as part of the land reform program, that is, OCT No. 9852 and OCT No. 9853 showed that as early as November 21, 1997: (a) the encumbrance in favor of Land Bank of the Philippines had been cancelled; (b) the records of the DAR indicated that Mariano Ronda had been awarded OCT No. 9852 and OCT No. 9853 as the *bona fide* tenant-beneficiary; and (c) the extra-judicial settlement revealed to him that he was then dealing with the children of Mariano Ronda.²⁸

The petitioner concludes that the absence of any irregularities in the documents presented to him, coupled with the fact that it was Isabel Ronda, *et al.*, not the respondents, who were then in the possession of the lots in dispute, clearly evinced to him that he did not have to look beyond the titles presented to him; that, consequently, he could not have been aware of the respondents' claim over the disputed lots;²⁹ that he should be deemed an innocent purchaser for value because the only time that he could have been charged with constructive notice of the respondents' claim to the lots in dispute was after the annotation of their adverse claim on the title of the lot, which they made five months after the sale to him;³⁰ and that according to *Tenio-Obsequio v. Court of Appeals*,³¹ "the rule of law and justice that should apply in this case is that as between two innocent persons, one of whom must suffer the consequences of a breach of trust, the one who made it possible by his act of confidence must bear the loss. The right of the innocent purchaser for value must be respected and protected, even if the seller obtained his title through fraud."³²

Anent the applicability of P.D. No. 27,³³ the petitioner contends that the RTC and the CA's reliance on P.D. No. 27 to support their rulings to the effect that the transfer to him had been void, in that the alienation had not been made in favor of the Government or by hereditary succession, was

²⁸ Id. at 80-81.

²⁹ Id. at 81.

³⁰ Id. at 84.

³¹ G.R. No. 107967, March 1, 1994, 230 SCRA 550.

³² Id. at 560.

³³ P.D. No. 27 provides:

Title to land acquired pursuant to this Decree or the Land Reform Program of the Government shall not be transferable except by hereditary succession or to the Government in accordance with the provisions of this Decree, the Code of Agrarian Reforms and other existing laws and regulations.

misplaced; that it was Section 27³⁴ of R.A. No. 6657 (*Comprehensive Agrarian Reform Law*), not P.D. No. 27, that should apply to the controversy;³⁵ that Section 27 of R.A. No. 6657 amended P.D. No. 27 in view of the former law's repealing clause (Section 76³⁶); and that, as a result, the perpetual prohibition against transfer contained in P.D. No. 27 must be deemed inconsistent with and repealed by Section 27 of R.A. No. 6657, which provides a prohibition for only 10 years.

According to the petitioner, the evidence established that Mariano Ronda had secured OCT No. 9852 and OCT No. 9853 on July 7, 1998; that the first transfer of the lots (from Mariano Ronda to Isabela Ronda, *et al.*) by virtue of the deed of extra-judicial settlement had been by hereditary succession, which was not in breach of either P.D. No. 27 or R.A. No. 6657; that the second transfer of the lots on July 31, 1998, whereby Isabel Ronda, *et al.* sold the lots to the petitioner, was beyond the ten-year prohibited period under Section 27 of R.A. No. 6657 due to said period having expired on July 6, 1988; and that, consequently, the sale from Isabela Ronda, *et al.* to the petitioner was outside the ambit of the ten-year prohibited period under Section 27 of R.A. No. 6657.³⁷

The respondents counter, however, that their action for quieting of title was premised on the illegal acquisition of their decreed and titled property by the DAR under its OLT Program as a result of the DAR's declaration of their property as "untitled" and "abandoned"; that their title did not lose its character as "valid, existing, binding, effective, and uncanceled" since November 23, 1933, the time when the OCT was issued;

³⁴ Section 27 of R.A. No. 6657 states:

Section 27. *Transferability of Awarded Lands.*—Lands acquired by beneficiaries under this Act may not be sold, transferred or conveyed except through hereditary succession, or to the government, or to the LBP, or to other qualified beneficiaries for a period of ten (10) years. Provided, however, that the children or the spouse of the transferor shall have a right to repurchase the land from the government or LBP within a period of two (2) years. Due notice of the availability of the land shall be given by the LBP to the Barangay Agrarian Reform Committee (BARC) of the barangay where the land is situated. The Provincial Agrarian Reform Coordinating Committee (PARCCOM), As herein provided, shall, in turn, be given due notice thereof by the BARC.

If the land has not yet been fully paid by the beneficiary, the rights to the land may be transferred or conveyed, with prior approval of the DAR, to any heir of the beneficiary or to any other beneficiary who, as a condition for such transfer or conveyance, shall cultivate the land himself. Failing compliance herewith, the land shall be transferred to the LBP which shall give due notice of the availability of the land in the manner specified in the immediately preceding paragraph.

In the event of such transfer to the LBP, the latter shall compensate the beneficiary in one lump sum for the amounts the latter has already paid, together with the value of improvements he has made on the land.

³⁵ *Rollo* (G.R. No. 164961), pp. 103-104.

³⁶ R.A. No. 6657, Section 76. *Repealing Clause.* — Section 35 of Republic Act No. 3834, Presidential Decree No. 316, the last two paragraphs of Section 12 of Presidential Decree No. 946, Presidential Decree No. 1038, and all other laws, decrees executive orders, rules and regulations, issuances or parts thereof inconsistent with this Act are hereby repealed or amended accordingly.

³⁷ *Rollo*, 105-106.

and that the DAR officials, by not appealing the RTC's decision, were implicitly "recognizing, acknowledging and admitting" the decision.³⁸

The respondents deny the petitioner's claim of good faith. They point out that he did not exercise due diligence in examining the title of the heirs of Mariano Ronda given that said title had been previously, but wrongfully, acquired through the OLT Program of the DAR; that the express prohibition contained in OCT No. 9852 and OCT No. 9853, which the petitioner unavoidably saw, made it clear that the lots thereby covered "shall not be transferred except by hereditary succession or to the Government in accordance with the provisions of Presidential Decree No. 27", thereby belying the petitioner's assertion of being an innocent purchaser for value and in good faith;³⁹ that the nullity of the DAR proceedings and the void character of the OCTs issued by DAR did not supersede the valid, existing, binding and uncancelled title of the respondent.⁴⁰

Ruling of the Court

We affirm the decision of the CA.

We stated at the start that in determining whether or not a buyer of property is a purchaser in good faith, he must show that he has bought the property without notice that some other person had a right to, or interest in, such property, and he should pay a full and fair price for the same at the time of his purchase, or before he had notice of the claim or interest of some other persons in the property.⁴¹ He must believe that the person from whom he receives the property was the owner and could convey title to the property,⁴² for he cannot close his eyes to facts that should put a reasonable man on his guard and still claim he acted in good faith.⁴³

In *Bautista v. Silva*,⁴⁴ the Court enunciates the requisites for the buyer to be considered a purchaser in good faith, *viz*:

A buyer for value in good faith is one who buys property of another, without notice that some other person has a right to, or interest in, such property and pays full and fair price for the same, at the time of such purchase, or before he has notice of the claim or interest of some other persons in the property. **He buys the property with the well-**

³⁸ Id. at 182-183.

³⁹ Id. at 205-206.

⁴⁰ Id. at 194-195.

⁴¹ Supra note 1.

⁴² Supra note 2.

⁴³ Supra note 3.

⁴⁴ G.R. No. 157434, September 19, 2006, 502 SCRA 334.

founded belief that the person from whom he receives the thing had title to the property and capacity to convey it.

To prove good faith, a buyer of registered and titled land need only show that he relied on the face of the title to the property. He need not prove that he made further inquiry for he is not obliged to explore beyond the four corners of the title. Such degree of proof of good faith, however, is sufficient only when the following conditions concur: *first*, the seller is the registered owner of the land; *second*, the latter is in possession thereof; and *third*, at the time of the sale, the buyer was not aware of any claim or interest of some other person in the property, or of any defect or restriction in the title of the seller or in his capacity to convey title to the property.

Absent one or two of the foregoing conditions, then the law itself puts the buyer on notice and obliges the latter to exercise a higher degree of diligence by scrutinizing the certificate of title and examining all factual circumstances in order to determine the seller's title and capacity to transfer any interest in the property. **Under such circumstance, it was no longer sufficient for said buyer to merely show that he had relied on the face of the title; he must now also show that he had exercised reasonable precaution by inquiring beyond the title.** Failure to exercise such degree of precaution makes him a buyer in bad faith.⁴⁵

An examination of the deed of sale executed between Isabel Ronda, *et al.* and the petitioner respecting the portions covered by TCT No. 31120 and TCT No. 31121 indicates that the TCTs were issued only on August 17, 1998 but the deed of sale was executed on July 31, 1998. While it is true, as the petitioner argues, that succession occurs from the moment of death of the decedent pursuant to Article 777 of the *Civil Code*,⁴⁶ his argument did not extend to whether or not he was a buyer in good faith, but only to whether or not, if at all, Isabel Ronda, *et al.*, as the heirs of Mariano Ronda, held the right to transfer ownership over their predecessor's property. The argument did not also address whether or not the transfer to the petitioner was valid.

Evidently, the petitioner entered into the deed of sale without having been able to inspect TCT No. 31120 and TCT No. 31121 by virtue of such TCTs being not yet in existence at that time. If at all, it was OCT No. 9852 and OCT No. 9853 that were available at the time of the execution of the deed of sale, and such OCTs were presumably inspected by petitioner before he signed the deed of sale. It is notable that said OCTs categorically stated that they were entered pursuant to an emancipation patent of the Ministry of Agrarian Reform pursuant to the Operation Land Transfer (OLT) Program of the government. Furthermore, said OCTs plainly recited the following prohibition: "...it shall not be transferred except by hereditary succession or to the Government in accordance with the provisions of Presidential Decree

⁴⁵ Id. at 346-348.

⁴⁶ *Rollo* (G.R. No. 164961), p. 82.

No. 27, Code of Agrarian Reforms of the Philippines and other existing laws and regulations....”

The foregoing circumstances negated the third element of good faith cited in *Bautista v. Silva*, *i.e.*, that “at the time of sale, the buyer was not aware of any claim or interest of some other person in the property, or of any defect or restriction in the title of the seller or in his capacity to convey title to the property.” As we have ruled in *Bautista v. Silva*,⁴⁷ the absence of the third condition put the petitioner on notice and obliged him to exercise a higher degree of diligence by scrutinizing the certificates of title and examining all factual circumstances in order to determine the seller’s title and capacity to transfer any interest in the lots. Consequently, it is not sufficient for him to insist that he relied on the face of the certificates of title, for he must further show that he exercised reasonable precaution by inquiring beyond the certificates of title. Failure to exercise such degree of precaution rendered him a buyer in bad faith. “It is a well-settled rule that a purchaser cannot close his eyes to facts which should put a reasonable man upon his guard, and then claim that he acted in good faith under the belief that there was no defect in the title of the vendor.”⁴⁸

The petitioner was not an innocent purchaser for value; hence, he cannot be awarded the disputed land.

In view of the result thus reached by us, it becomes superfluous to settle the issue of which between P.D. No. 27 and Section 27 of R.A. No. 6657 should control, and whether or not the R.A. No. 6657 has repealed P.D. No. 27. Even so, the Court has expressly clarified that R.A. No. 6657 did not repeal or supersede P.D. No. 27, stating in *Sigre v. Court of Appeals*:⁴⁹

Finally, the Court need not belabor the fact that R.A. 6657 or the CARP Law operates distinctly from P.D. 27. R.A. 6657 covers all public and private agricultural land including other lands of the public domain suitable for agriculture as provided for in Proclamation No. 131 and Executive Order No. 229; while, P.D. 27 covers rice and corn lands. On this score, E.O. 229, which provides for the mechanism of the Comprehensive Agrarian Reform Program, specifically states: “(P)residential Decree No. 27, as amended, shall continue to operate with respect to rice and corn lands, covered thereunder. xxx.” It cannot be gainsaid, therefore, that R.A. 6657 did not repeal or supersede, in any way, P.D. 27. And whatever provisions of P.D. 27 that are not inconsistent with R.A. 6657 shall be suppletory to the latter, and all rights acquired by the tenant-farmer under P.D. 27 are retained even with the passage of R.A. 6657.

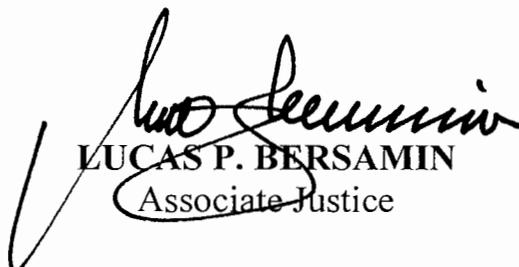
⁴⁷ *Supra* note 44.

⁴⁸ *Lucena v. Court of Appeals*, G.R. No. 77468, August 25, 1999, 313 SCRA 47, 57.

⁴⁹ G.R. No. 109568 & 113454, August 8, 2002, 387 SCRA 15, 29.

WHEREFORE, we **DENY** the petition for review on *certiorari*; **AFFIRM** the decision of the Court of Appeals promulgated on February 17, 2004; and **ORDER** the petitioner to pay the costs of suit.

SO ORDERED.



LUCAS P. BERSAMIN
Associate Justice

WE CONCUR:



MARIA LOURDES P. A. SERENO
Chief Justice



TERESITA J. LEONARDO-DE CASTRO
Associate Justice



MARTIN S. VILLARAMA, JR.
Associate Justice



BIENVENIDO L. REYES
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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