



Republic of the Philippines
Supreme Court
 Manila

SECOND DIVISION

**RESIDENTS OF LOWER ATAB &
 TEACHERS' VILLAGE, STO.
 TOMAS PROPER BARANGAY,
 BAGUIO CITY, represented by
 BEATRICE T. PULAS,
 CRISTINA A. LAPPAO,
 MICHAEL MADIGUID,
 FLORENCIO MABUDYANG and
 FERNANDO DOSALIN,**
Petitioners,

G.R. No. 198878

Present:

CARPIO, *Chairperson,*
 DEL CASTILLO,
 MENDOZA,
 REYES,* *and*
 LEONEN, *JJ.*

- versus -

**STA. MONICA INDUSTRIAL &
 DEVELOPMENT CORPORATION,**
Respondent.

Promulgated:

OCT 15 2014

X ----- X

DECISION

DEL CASTILLO, J.:

This Petition for Review on *Certiorari*¹ seeks to set aside: 1) the August 5, 2011 Decision² of the Court of Appeals (CA) in CA-G.R. CV No. 84561 which affirmed the December 6, 2004 Decision³ of the Regional Trial Court of Baguio City (Baguio RTC), Branch 6 in Civil Case No. 4946-R; and 2) the CA's October 3, 2011 Resolution⁴ denying herein petitioners' Motion for Reconsideration.⁵

* Per Special Order No. 1844 dated October 14, 2014.

¹ *Rollo*, pp. 3-22.

² *Id.* at 23-37; penned by Associate Justice Agnes Reyes-Carpio and concurred in by Associate Justices Fernanda Lampas Peralta and Priscilla J. Baltazar-Padilla.

³ *Records*, pp. 212-223; penned by Judge Ruben C. Ayson.

⁴ *Rollo*, pp. 42-43.

⁵ *Id.* at 38-41.

Factual Antecedents

In May 2001, petitioners – residents of Lower Atab & Teachers' Village, Sto. Tomas Proper Barangay, Baguio City – filed a civil case for quieting of title with damages against respondent Sta. Monica Industrial and Development Corporation. The case was docketed as Civil Case No. 4946-R and assigned to Branch 59 of the Baguio RTC.⁶ The Complaint⁷ in said case essentially alleged that petitioners are successors and transferees-in-interest of Torres, the supposed owner of an unregistered parcel of land in Baguio City (the subject property, consisting of 177,778 square meters) which Torres possessed and declared for tax purposes in 1918; that they are in possession of the subject property in the concept of owner, declared their respective lots and homes for tax purposes, and paid the real estate taxes thereon; that in May 2000, respondent began to erect a fence on the subject property, claiming that it is the owner of a large portion thereof⁸ by virtue of Transfer Certificate of Title No. T-63184⁹ (TCT No. T-63184); that said TCT No. T-63184 is null and void, as it was derived from Original Certificate of Title No. O-281 (OCT No. O-281), which was declared void pursuant to Presidential Decree No. 1271¹⁰ (PD 1271) and in the decided case of *Republic v. Marcos*;¹¹ and that TCT No. T-63184 is a cloud upon their title and interests and should therefore be cancelled. Petitioners thus prayed that respondent's TCT No. T-63184 be surrendered and cancelled; that actual, moral and exemplary damages, attorney's fees, legal expenses, and costs be awarded in their favor; and finally, that injunctive relief be issued against respondent to prevent it from selling the subject property.

In its Answer with Special Affirmative Defenses and Counterclaim,¹² respondent claimed that petitioners have no cause of action; that TCT No. T-63184 is a valid and subsisting title; that the case for quieting of title constitutes a collateral attack upon TCT No. T-63184; and that petitioners have no title to the subject property and are mere illegal occupants thereof. Thus, it prayed for the dismissal of Civil Case No. 4946-R and an award of exemplary damages, attorney's fees, litigation expenses, and costs in its favor.

⁶ The case was later re-raffled to Branch 3, and finally to Branch 6, the deciding court.

⁷ Records, pp. 2-8.

⁸ Around 8.7 hectares.

⁹ Records, pp. 17-19.

¹⁰ AN ACT NULLIFYING DECREES OF REGISTRATION AND CERTIFICATES OF TITLE COVERING LANDS WITHIN THE BAGUIO TOWNSITE RESERVATION ISSUED IN CIVIL RESERVATION CASE NO. 1, GLRO RECORD NO. 211 PURSUANT TO REPUBLIC ACT NO. 931, AS AMENDED, BUT CONSIDERING AS VALID CERTAIN TITLES OF SUCH LANDS THAT ARE ALIENABLE AND DISPOSABLE UNDER CERTAIN CONDITIONS AND FOR OTHER PURPOSES. Took effect on December 22, 1977.

¹¹ 152 Phil. 204 (1973).

¹² Records, pp. 11-16.

In their Pre-Trial Brief¹³ and Memorandum,¹⁴ petitioners acknowledged that while they declared their respective lots for tax purposes, they applied for the purchase of the same – through Townsite Sales applications – with the Department of Environment and Natural Resources (DENR).

Ruling of the Regional Trial Court

After trial, the Baguio RTC issued a Decision¹⁵ dated December 6, 2004, the dispositive portion of which reads:

WHEREFORE, Judgment is hereby rendered in favor of defendant Sta. Monica Industrial and Development Corporation and against the plaintiffs, as follows:

1. Dismissing the Complaint for Quieting of Title and Damages with Prayer for a Writ of Preliminary Injunction of plaintiffs;
2. Dismissing likewise the counterclaim for Damages and attorney's fees of defendant corporation since it has not been shown that the plaintiffs acted in bad faith in filing the Complaint. Without pronouncement as to costs.

SO ORDERED.¹⁶

The trial court held that Civil Case No. 4946-R constitutes a collateral attack upon respondent's TCT No. T-63184, which became indefeasible after one year from the entry of the decree of registration thereof. It held that if it is claimed that respondent's title is void, then a direct proceeding should have been filed by the State to annul it and to secure reversion of the land; petitioners have no standing to do so through a quieting of title case. The trial court added that TCT No. T-63184 is a subsisting title; its validity was confirmed through the annotation therein by the Baguio City Register of Deeds – Entry No. 184804-21-159¹⁷ – that TCT No. T-27096, from which TCT No. T-63184 was derived, was validated by the PD 1271 Committee in a May 9, 1989 Resolution; that petitioners could not present any title to the subject property upon which to base their case for quieting of title, and have failed to show during trial that they have a cause of action against respondent.

Petitioners filed a Motion for Reconsideration,¹⁸ but the trial court denied

¹³ Id. at 29-32.

¹⁴ Id. at 205-211.

¹⁵ Id. at 212-223.

¹⁶ Id. at 222-223.

¹⁷ Id. at 159 (dorsal), 161.

¹⁸ Id. at 224-229.

the same in a January 17, 2004 Resolution.¹⁹

Ruling of the Court of Appeals

In an appeal to the CA which was docketed as CA-G.R. CV No. 84561, petitioners insisted that they have a cause of action against respondent for quieting of title and damages; that Civil Case No. 4946-R is not a collateral attack upon respondent's title; that Civil Case No. 4946-R is not a case for reversion and annulment of title which could only be filed by the State; and that the trial court erred in finding that respondent's title was validated in accordance with law.

On August 5, 2011, the CA issued the assailed Decision affirming the trial court, thus:

In this case, plaintiffs-appellants²⁰ are without any title to be cleared of or to be quieted nor can they be regarded as having equitable title over the subject property. Ballantine's Law Dictionary defines an equitable title as follows:

“A title derived through a valid contract or relation, and based on recognized equitable principles; the right in the party, to whom it belongs, to have the legal title transferred to him (15 Cyc. 1097; 16 Id. 90). In order that a plaintiff may draw to himself an equitable title, he must show that the one from whom he derives his right had himself a right to transfer. x x x”

x x x x

In the instant case, plaintiffs-appellants cannot find refuge in the tax declarations and receipts under their names considering that the same are not incontrovertible evidence of ownership.

Moreover, plaintiffs-appellants' act of questioning the validity of the title of the defendant-appellee²¹ constitutes a collateral attack and under Section 48 of P.D. 1529, “a certificate of title shall not be subject to collateral attack. x x x”

x x x x

Meantime, it is meet to point out that P.D. 127[1] invoked by plaintiffs-appellants themselves, specifically provides under Section 6 (paragraph 2) thereof that “the Solicitor General shall institute such actions or suits as may be necessary to recover possession of lands covered by all void titles not validated under this Decree.” Hence, the Office of the Solicitor General, being mandated by law, must be the proper party to institute actions to recover lands covered by

¹⁹ Id. at 240-246.

²⁰ Herein petitioners.

²¹ Herein respondent.

void titles under the said decree x x x.

x x x x

As regards the validation of TCT No. T-63184 x x x, no error was committed by the Court *a quo* in ruling that the same is in accordance with law. It is important to note that the validation of the subject TCT was never disputed by the Register of Deeds or any other government agency. Moreover, there is no showing that the TCT of the defendant-appellee and the OCT wherein it was derived were declared null and void by virtue of Pres. Decree No. 1271. While the TCT of the defendant-appellee was issued under L.R.C. Case No. 1, Record No. 211, it was validated in accordance with law in Entry No. 184804-21-159 annotated at the dorsal side of the subject title.

x x x x

WHEREFORE, premises considered, the Decision dated December 6, 2004 of the Regional Trial Court, Branch 6, Baguio City is AFFIRMED *in toto*.

SO ORDERED.²²

Petitioners moved for reconsideration, but in its October 3, 2011 Resolution, the CA stood its ground. Hence, the instant Petition.

Issues

Petitioners raise the following issues in this Petition:

1. The Trial Court and the Court of Appeals erred in finding that the Petitioners x x x have no cause of action.
2. The Trial Court and the Court of Appeals erred in finding that the action is a collateral attack on the Torrens Title of respondent Corporation.
3. The Trial Court and the Court of Appeals erred in finding that the present action is to annul the title of respondent Corporation due to fraud, [thus] it should be the Solicitor General who should file the case for reversion.
4. The Trial Court and the Court of Appeals erred in finding that the validation of TCT No. T-63184 registered in the name of respondent Corporation was in accordance with law.²³

²² *Rollo*, pp. 31-37.

²³ *Id.* at 7-8.

Petitioners' Arguments

In their Petition and Reply,²⁴ petitioners seek a reversal of the assailed CA dispositions and the nullification of respondent's TCT No. T-63184 so that said title shall not "hinder the approval of the Townsite Sales Application of the [p]etitioners by the [DENR]-Cordillera Administrative Region and stop the harassment being done by the Corporation on the [p]etitioners x x x."²⁵ They argue that they have equitable title over the subject property, having possessed the same for many years and obtained the rights of their predecessor Torres; that Civil Case No. 4946-R is not a collateral attack upon TCT No. T-63184, as said title is null and void by virtue of PD 1271 and the ruling in *Republic v. Marcos*; that there is no need to file a reversion case since TCT No. T-63184 has been effectively declared void, and respondent is not in possession of the subject property; and finally, that Entry No. 184804-21-159 cannot have the effect of validating TCT No. T-63184, because PD 1271 itself states that only certificates of title issued on or before July 31, 1973 are considered valid.²⁶ Since OCT No. O-281 – the predecessor title of TCT No. T-63184 – was issued only on January 28, 1977, it is thus null and void, and all other titles subsequently issued thereafter, including TCT No. T-63184, are invalid as well.

Respondent's Arguments

On the other hand, respondent's Comment²⁷ simply reiterates the pronouncement of the CA. Consequently, it prays for the denial of the instant Petition.

²⁴ Id. at 62-66.

²⁵ Id. at 19.

²⁶ Section 1 of PD 1271 states:

All orders and decisions issued by the Court of First Instance of Baguio and Benguet in connection with the proceedings for the reopening of Civil Reservation Case No. 1, GLRO Record No. 211, covering lands within the Baguio Townsite Reservation, and decreeing such lands in favor of private individuals or entities, are hereby declared null and void and without force and effect; PROVIDED, HOWEVER, that all certificates of titles issued on or before July 31, 1973 shall be considered valid and the lands covered by them shall be deemed to have been conveyed in fee simple to the registered owners upon a showing of, and compliance with, the following conditions:

(a) The lands covered by the titles are not within any government, public or quasi-public reservation, forest, military or otherwise, as certified by appropriating government agencies;

(b) Payment by the present title holder to the Republic of the Philippines of an amount equivalent to fifteen per centum (15%) of the assessed value of the land whose title is voided as of revision period 1973 (P.D. 76), the amount payable as follows: Within ninety (90) days of the effectivity of this Decree, the holders of the titles affected shall manifest their desire to avail of the benefits of this provision and shall pay ten per centum (10%) of the above amount and the balance in two equal installments, the first installment to be paid within the first year of the effectivity of this Decree and the second installment within a year thereafter.

²⁷ *Rollo*, pp. 49-57.

Our Ruling

The Court denies the Petition.

For an action to quiet title to prosper, two indispensable requisites must be present, namely: “(1) the plaintiff or complainant has a legal or an equitable title to or interest in the real property subject of the action; and (2) the deed, claim, encumbrance, or proceeding claimed to be casting cloud on his title must be shown to be in fact invalid or inoperative despite its *prima facie* appearance of validity or legal efficacy.”²⁸

“Legal title denotes registered ownership, while equitable title means beneficial ownership.”²⁹

Beneficial ownership has been defined as ownership recognized by law and capable of being enforced in the courts at the suit of the beneficial owner. Black’s Law Dictionary indicates that the term is used in two senses: first, to indicate the interest of a beneficiary in trust property (also called “equitable ownership”); and second, to refer to the power of a corporate shareholder to buy or sell the shares, though the shareholder is not registered in the corporation’s books as the owner. Usually, beneficial ownership is distinguished from naked ownership, which is the enjoyment of all the benefits and privileges of ownership, as against possession of the bare title to property.³⁰

Petitioners do not have legal or equitable title to the subject property. Evidently, there are no certificates of title in their respective names. And by their own admission in their pleadings, specifically in their pre-trial brief and memorandum before the trial court, they acknowledged that they applied for the purchase of the property from the government, through townsite sales applications coursed through the DENR. In their Petition before this Court, they particularly prayed that TCT No. T-63184 be nullified in order that the said title would not hinder the approval of their townsite sales applications pending with the DENR. Thus, petitioners admitted that they are not the owners of the subject property; the same constitutes state or government land which they would like to acquire by purchase. It would have been different if they were directly claiming the property as their own as a result of acquisitive prescription, which would then give them the requisite equitable title. By stating that they were in the process of applying to purchase the subject property from the government, they admitted that they had no such equitable title, at the very least, which should allow them to prosecute a case

²⁸ *Eland Philippines, Inc. v. Garcia*, G.R. No. 173289, February 17, 2010, 613 SCRA 66, 92.

²⁹ *Mananquil v. Moico*, G.R. No. 180076, November 21, 2012, 686 SCRA 123, 124.

³⁰ *La Bugal-B’Laan Tribal Association, Inc. v. Ramos*, 486 Phil. 754, 844-845 (2004).

for quieting of title.

In short, petitioners recognize that legal and equitable title to the subject property lies in the State. Thus, as to them, quieting of title is not an available remedy.

Lands within the Baguio Townsite Reservation are public land.³¹ Laws and decrees such as PD 1271 were passed recognizing ownership acquired by individuals over portions of the Baguio Townsite Reservation, but evidently, those who do not fall within the coverage of said laws and decrees – the petitioners included – cannot claim ownership over property falling within the said reservation. This explains why they have pending applications to purchase the portions of the subject property which they occupy; they have no legal or equitable claim to the same, unless ownership by acquisitive prescription is specifically authorized with respect to such lands, in which case they may prove their adverse possession, if so. As far as this case is concerned, the extent of petitioners' possession has not been sufficiently shown, and by their application to purchase the subject property, it appears that they are not claiming the same through acquisitive prescription.

The trial and appellate courts are correct in dismissing Civil Case No. 4946-R; however, they failed to appreciate petitioners' admission of lack of equitable title which denies them the standing to institute a case for quieting of title. Nevertheless, they are not precluded from filing another case – a direct proceeding to question respondent's TCT No. T-63184; after all, it appears that their townsite sales applications are still pending and have not been summarily dismissed by the government – which could indicate that the subject property is still available for distribution to qualified beneficiaries. If TCT No. T-63184 is indeed null and void, then such proceeding would only be proper to nullify the same. It is just that a quieting of title case is not an option for petitioners, because in order to maintain such action, it is primarily required that the plaintiff must have legal or equitable title to the subject property – a condition which they could not satisfy.

With the conclusion arrived at, the Court finds no need to resolve the other issues raised.

WHEREFORE, the Petition is **DENIED**. The assailed August 5, 2011 Decision and October 3, 2011 Resolution of the Court of Appeals in CA-G.R. CV No. 84561 are **AFFIRMED**.

³¹ *Republic v. Fañgonil*, 218 Phil. 484, 487 (1984).

SO ORDERED.


MARIANO C. DEL CASTILLO
Associate Justice

WE CONCUR:


ANTONIO T. CAPIO
Associate Justice
Chairperson

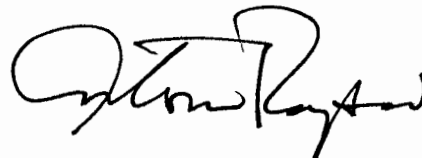

JOSE CATRAL MENDOZA
Associate Justice


BIENVENIDO L. REYES
Associate Justice


MARVIC M.V.F. LEONEN
Associate Justice

ATTESTATION

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



ANTONIO T. CARPIO
Associate Justice
Chairperson

CERTIFICATION

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



MARIA LOURDES P. A. SERENO
Chief Justice

