

**Republic of the Philippines**  
**Supreme Court**  
**Manila**

**FIRST DIVISION**

**ERNESTO R. SERRANO,**  
 Petitioner,

**G.R. No. 204887**

Present:

- versus -

**PERALTA, C.J.,**  
*Chairperson,*  
**CAGUIOA,**  
**CARANDANG,**  
**ZALAMEDA, and**  
**GAERLAN, JJ.**

**SPOUSES LUZVIMINDA &**  
**ARNOLD GUZMAN, SPOUSES**  
**MARISSA AND EFREN CASTILLO,**  
**and SPOUSES SAMUEL AND**  
**EDIVINA PACIS,**

Promulgated:

Respondents.

**MAR 03 2021** *with file*

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**DECISION**

**CARANDANG, J.:**

This is a Petition for Review on *Certiorari*<sup>1</sup> filed by petitioner Ernesto R. Serrano (Ernesto) to assail the Decision<sup>2</sup> dated May 25, 2012 and the Resolution<sup>3</sup> dated December 6, 2012 of the Court of Appeals (CA) in CA-G.R. CV No. 89931. The CA reversed and set aside the Judgment<sup>4</sup> dated June 5, 2007 of the Regional Trial Court (RTC) of Tuao, Cagayan, Branch 11 in Civil Case No. 383-T.

**Antecedents**

On September 26, 1983, Ernesto and the heirs of Juan M. Baligod (Heirs of Baligod), represented by their attorney-in-fact Mariano L. Baligod (Mariano), executed a Deed of Sale<sup>5</sup> over Lot No. 1, a 1,726 square meter-

<sup>1</sup> *Rollo*, pp. 7-21.

<sup>2</sup> Penned by Associate Justice Rosalinda Asuncion-Vicente, with the concurrence of Associate Justices Antonio L. Villamor and Ramon A. Cruz; id. at 32-45.

<sup>3</sup> Penned by Associate Justice Rosalinda Asuncion-Vicente, with the concurrence of Associate Justices Vicente S. E. Veloso and Ramon A. Cruz; id. at 46-47.

<sup>4</sup> Penned by Judge Orlando D. Beltran; id. at 22-31.

<sup>5</sup> Records, p. 123.

parcel of land located in Tuao, Cagayan and covered by Original Certificate of Title (OCT) No. P-4235 in Juan Baligod's name. At that time, Lot No. 1 was mortgaged to secure a loan with the Philippine National Bank (PNB). Ernesto settled the obligation with PNB as part of the consideration for the purchase of the lot.<sup>6</sup> In addition, Ernesto paid Mariano ₱35,000.00.<sup>7</sup> OCT No. P-4235 was subsequently cancelled and Transfer Certificate of Title (TCT) No. T-6309 was issued in the name of Ernesto.<sup>8</sup>

On September 15, 1998, Ernesto executed an Affidavit of Splitting<sup>9</sup> which provides that Lot No. 1 shall be subdivided into three lots. In recognition of his sister, respondent Luzviminda Guzman (Luzviminda), as a co-owner of the property because she paid the loan with PNB, he also executed a Deed of Reconveyance in her favor which states:

KNOW ALL MEN BY THESE PRESENTS:

THAT I, ERNESTO R. SERRANO, of legal age, [F]ilipino, single and a resident of Centro, Tuao, Cagayan, am the registered owner of a parcel of land located at Poblacion, Tuao, Cagayan and more particularly described as follows:

"Lot 1, Psu-2-01-000422, with an area of 1,767 square meters, more or less and covered by Transfer Certificate of Title No. T-6309".

That said parcel of land which a sister and I acquired sometime in the year 1989, was transferred in my name only sometime on December, 1997, when it was supposed to be registered not only in my name but also in the name of my sister because some of the said consideration came from her.

That because she is a co-owner of the said parcel of land as the payment also came from her, I do hereby reconvey and relinquish [*sic*] all my rights and participation unto my sister LUZVIMINDA SERRANO-GUZMAN, of legal age, [F]ilipino, married to Arnold Guzman and a resident of Tuao, Cagayan a portion of the above-described parcel of land with an area of 442 square meters, more or less free from all liens and encumbrances.

That I am executing this deed on my own will and without any intimidation or whatsoever.

IN WITNESS WHEREOF, I have hereunto set my signature this 15<sup>th</sup> day of Sept, 1998 at Tuguegarao, Cagayan.<sup>10</sup>

TCT No. T-6724 covering Lot No. 1-A was issued in Luzviminda's name. Luzviminda subdivided Lot No. 1-A into three lots: (1) Lot No. 1-A-1, 126 square meters, and covered by TCT No. T-8194; (2) Lot No. 1-A-2, 126

<sup>6</sup> Rollo, p. 33.

<sup>7</sup> Records, p. 123; TSN dated April 1, 2003, p. 6.

<sup>8</sup> Rollo, p. 33.

<sup>9</sup> Records, p. 125.

<sup>10</sup> Rollo, p. 57.

square meters, and covered by TCT No. T-8195; and (3) Lot No. 1-A-3, 190 square meters, and covered by TCT No. T-8196.<sup>11</sup>

On November 22, 2001, Luzviminda sold Lot Nos. 1-A-1 and 1-A-2, respectively, to respondents Marissa Castillo (Marissa) and Samuel Pacis (Samuel). TCT Nos. T-8194 and T-8195 were cancelled and TCT No. T-8414 was issued in the name of Marissa while TCT No. T-8415 was issued in the name of Samuel.<sup>12</sup>

Ernesto executed an Affidavit of Adverse Claim on December 23, 2001 claiming that Luzviminda committed fraud against him. It was annotated on TCT Nos. T-8414 and T-8415.<sup>13</sup>

On June 30, 2002, Ernesto filed a complaint for reconveyance of Lot Nos. 1-A-1, 1-A-2, and 1-A-3 against Luzviminda and her husband and co-respondent Arnold Guzman (Arnold; collectively, Spouses Guzman), Marissa and her husband and co-respondent Efren Castillo (collectively, Spouses Castillo), and Samuel and his wife and co-respondent Edivina Pacis (collectively, Spouses Pacis). He claimed that in September 1998, he wanted to subdivide Lot No. 1 into three parcels of land so he signed eight blank sheets of paper<sup>14</sup> and gave it to Luzviminda. Luzviminda was supposed to give these papers to the geodetic engineer to be used in the partition of Lot No. 1. Ernesto entrusted this matter to her because he was in Manila at that time. To his dismay, he discovered in October 2001 that Spouses Guzman used the blank sheets of paper to execute the Affidavit of Splitting and Deed of Reconveyance. They acquired Lot No. 1-A for themselves and sold portions of it. Ernesto informed Spouses Castillo and Spouses Pacis in 2001 that he was the true owner of Lot Nos. 1-A-1 and 1-A-2 so they should not purchase it from Spouses Guzman. However, they did not listen to him.<sup>15</sup>

Respondents argued that the Affidavit of Splitting and Deed of Reconveyance were duly executed by Ernesto. Since these documents were acknowledged before the notary public, they enjoy the presumption of authenticity and due execution.<sup>16</sup> Spouses Guzman explained that Ernesto gave them a portion of Lot No. 1 because they paid around ₱30,000.00 for the settlement of the Heirs of Baligod's loan with PNB. As for Spouses Castillo and Spouses Pacis, they insisted that they were buyers in good faith. The title presented by Spouses Guzman had no encumbrances or annotations.<sup>17</sup> They denied meeting Ernesto in 2001.<sup>18</sup>

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<sup>11</sup> Id. at 34.

<sup>12</sup> Id.

<sup>13</sup> Id.

<sup>14</sup> TSN dated November 27, 2003, p. 6; TSN dated May 18, 2006, p. 13.

<sup>15</sup> *Rollo*, pp. 34-35.

<sup>16</sup> Id. at 36.

<sup>17</sup> Id. at 24.

<sup>18</sup> Id. at 44.

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### Ruling of the Regional Trial Court

On June 5, 2007, the RTC rendered its Judgment<sup>19</sup> in favor of Ernesto, the *fallo* of which provides:

WHEREFORE, the Court finds that the evidence on record preponderates in favor of the plaintiff and hereby renders judgment in his favor and against the defendants:

1 – declaring NULL and VOID the Deed of Reconveyance dated September 15, 1998 in favor of defendants spouses Arnold Guzman and Luzviminda Serrano-Guzman;

2 – declaring NULL and VOID the Deed of Sale of a Registered Land dated November 22, 2001 executed by defendant Luzviminda S. Guzman in favor of defendant Samuel M. Pacis, married to Edivina R. Pacis;

3 – declaring NULL and VOID the Deed of Sale of a Registered Land executed by defendant Luzviminda S. Guzman, in favor of defendant Marissa S. Castillo, married to Efren Castillo dated November 22, 2001;

4 – declaring NULL and VOID Transfer Certificates of Title Nos. T-8194 and T-8195 of the Register of Deeds of Cagayan in the name of defendant Luzviminda S. Guzman;

5 – declaring NULL and VOID Transfer Certificate of Title No. T-8414 in the name of Marissa S. Castillo, married to Efren Castillo;

6 – declaring NULL and VOID Transfer Certificate of Title No. T-8415 in the name of defendant Samuel M. Pacis, married to Edivina R. Pacis;

7 – ordering the defendants-spouses Arnold Guzman and Luzviminda Serrano-Guzman to execute a deed of reconveyance of Lot Nos. 1-A-1 and 1-A-2 of the Subd. plan Psd-(af)-02-021174 in favor of plaintiff Ernesto Serrano;

8 – ordering defendants-spouses Efren Castillo and Marissa S. Castillo to execute a Deed of Reconveyance over Lot No. 1-A-1 of the Subd. plan Psd-(af)-02-021174 in favor of plaintiff Ernesto Serrano;

9 – ordering defendants-spouses Samuel M. Pacis and Edivina R. Pacis to execute a Deed of Reconveyance over Lot No. 1-A-2 of the Subd. plan Psd-(af)-02-021174 in favor of plaintiff Ernesto Serrano.

10 – ordering all the defendants to pay the cost.

SO ORDERED.<sup>20</sup>

<sup>19</sup> Id. at 22-31.

<sup>20</sup> Id. at 29-30.

The RTC held that the evidence showed that Ernesto did not execute the Deed of Reconveyance. Victor Serrano (Victor), Ernesto and Luzviminda's brother, testified that Spouses Guzman did not give ₱30,000.00 for the purchase of Lot No. 1. He declared that Ernesto alone paid for it. Mariano also attested to this.<sup>21</sup> The testimonies of Ernesto's witnesses were direct, positive, and categorical while respondents' witnesses merely denied Ernesto's evidence. Positive evidence should prevail over negative evidence.<sup>22</sup> Further, the RTC found it difficult to believe Luzviminda's claim that Ernesto filed the case to retaliate against her and her husband because this is inconsistent with her claim that he executed the Deed of Reconveyance out of the goodness of his heart. The RTC also doubted that Luzviminda would have agreed to receive around 1/4 of Lot No. 1 when she claimed to have contributed about "6/7<sup>th</sup>" of its purchase price.<sup>23</sup>

The RTC also noted that the Deed of Reconveyance states that Ernesto purchased Lot No. 1 in 1989 when in fact it was purchased in 1983. The Deed would have reflected the correct date if Ernesto truly executed it.<sup>24</sup> With respect to Spouses Castillo and Spouses Pacis, they were not innocent purchasers for value and in good faith. Ernesto notified them that he was the owner of Lot Nos. 1-A-1 and 1-A-2.<sup>25</sup> Since the Deed of Reconveyance was merely a simulated sale, all the transactions that followed thereafter were invalid.<sup>26</sup> Respondents appealed to the CA.

### Ruling of the Court of Appeals

The CA granted the appeal, reversed and set aside the ruling of the RTC, and dismissed the complaint for reconveyance for lack of merit in its Decision dated May 25, 2012.<sup>27</sup> The CA held that *first*, the Affidavit of Splitting and Deed of Reconveyance, on its face, are not irregular. There were proper margins, paragraphing, and spacing and no sign of compression of words or paragraphs. If Ernesto did sign blank papers, it would have been difficult to fit all the entries above his signature. The CA gave credence to Elizabeth Manauis' (Elizabeth) testimony that Ernesto and Arnold asked her and Roberto Valiente to be witnesses to the signing of the Deed of Reconveyance. She saw Ernesto sign the Deed before she affixed her own signature.<sup>28</sup> *Second*, neither Ernesto nor Mariano clarified who exactly paid the loan obligation with PNB. Mariano merely assumed that Ernesto did because he paid for the purchase price of Lot No. 1. *Third*, the indication of the wrong year of purchase of Lot No. 1 in the Deed of Reconveyance could be considered a mere typographical error.<sup>29</sup> *Fourth*, Spouses Castillo and Spouses Pacis were buyers in good faith and for value. Ernesto's adverse claim was not annotated on TCT Nos. T-8194 and T-8195. It was only

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<sup>21</sup> Id. at 26.  
<sup>22</sup> Id. at 27.  
<sup>23</sup> Id. at 28-29.  
<sup>24</sup> Id. at 26-27.  
<sup>25</sup> Id. at 27-28.  
<sup>26</sup> Id. at 29.  
<sup>27</sup> Id. at 32-45.  
<sup>28</sup> Id. at 39-41.  
<sup>29</sup> Id. at 42.

annotated on Spouses Castillo and Spouses Pacis' titles. Spouses Castillo and Spouses Pacis both denied that Ernesto talked to them in 2001. They claimed that they only met him in March 2002. The CA pointed out that if Ernesto knew about the sale of Lot Nos. 1-A-1 and 1-A-2 in June 2001, he should not have waited until December 23, 2001 to file his affidavit of adverse claim. Also, it was only in April 2002 when he filed an action against Luzviminda alone before the barangay. He did not include Spouses Pacis and Spouses Castillo.<sup>30</sup>

Ernesto filed a motion for reconsideration which the CA denied. He then filed a petition for review on *certiorari* before this Court. Respondents filed their comment.<sup>31</sup> Ernesto manifested that he is adopting his arguments in his petition in lieu of filing his reply.<sup>32</sup>

Ernesto argued that *first*, the CA should not have ruled that the Affidavit of Splitting and Deed of Reconveyance were duly executed by simply looking at its appearance. It is possible that the Deed of Reconveyance was prepared ahead of time so that the location for Ernesto's signature on a blank paper could be determined beforehand.<sup>33</sup> *Second*, Mariano testified that he only transacted with Ernesto regarding the purchase of Lot No. 1.<sup>34</sup> Ernesto also refuted Elizabeth's testimony that he asked her to be a witness to the Deed of Reconveyance. Elizabeth is biased because she purchased Lot No. 1-A-3. And there was no need to go to Tuao just to obtain Elizabeth's signature if the document was prepared in Tuguegarao. Also, Elizabeth admitted that she did not appear before the notary public.<sup>35</sup> *Third*, the Deed of Reconveyance indicates the wrong year of purchase of Lot No. 1. Ernesto would not have committed this error because he knows when the lot was acquired. The CA's pronouncement that this is a mere typographical error is not supported by the evidence submitted by respondents.<sup>36</sup> *Fourth*, Ernesto wanted Lot No. 1 to be subdivided into four lots, with the front portion divided into two with an area not exceeding 500 square meters each. One portion was to be sold to Dr. Mateo while another portion was to be used by Spouses Guzman as collateral for their Bayantel calling center in Tuao. Ernesto signed blank sheets of paper for the subdivision of Lot No. 1. To his dismay, Spouses Guzman did not comply with their agreement and employed fraud to acquire Lot No. 1-A. Pursuant to Article 1456<sup>37</sup> of the Civil Code, they should be considered to be mere trustees of Lot No. 1-A.<sup>38</sup> *Fifth*, Spouses Castillo and Spouses Pacis' bare denial that Ernesto approached them in 2001 should not prevail over Ernesto's clear and positive testimony that he warned them against purchasing Lot Nos. 1-A-1 and 1-A-2 from Spouses Guzman. They were buyers in bad faith and the titles in their name should be cancelled.<sup>39</sup>

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<sup>30</sup> Id. at 43-44.

<sup>31</sup> Id. at 83-91.

<sup>32</sup> Id. at 126.

<sup>33</sup> Id. at 11.

<sup>34</sup> Id. at 12.

<sup>35</sup> Id. at 16-17.

<sup>36</sup> Id. at 14-15.

<sup>37</sup> Article 1456. If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes.

<sup>38</sup> *Rollo*, pp. 12-14.

<sup>39</sup> Id. at 17-19.

Respondents countered that the Affidavit of Splitting and Deed of Reconveyance were duly executed. It was impossible that Ernesto signed blank sheets of paper without intending to execute these documents. The spacing, arrangement of paragraphs, margins, and borders of the documents show that its contents were not simply squeezed together.<sup>40</sup> In addition, the acknowledgment of the Affidavit of Splitting and the Deed of Reconveyance before a notary public is sufficient proof of its authenticity and due execution. Further, the fact that Elizabeth purchased Lot No. 1-A-3 does not make her biased. She would not have purchased the lot if she knew it was the product of an illegal transaction. As for Spouses Castillo and Spouses Pacis, they are buyers in good faith.<sup>41</sup> They had no obligation to go beyond the title presented by Spouses Guzman. Ernesto did not annotate his adverse claim on TCT Nos. T-8194 and T-8195. He only annotated his adverse claim in 2001 even though he was already aware of the existence of the Affidavit and the Deed in 1998. Also, the annotation itself was irregular. The notice was inscribed on the titles on January 2, 2001 but the notice itself was executed on December 23, 2001.<sup>42</sup>

### Issue

The sole issue before Us is whether the CA erred in dismissing Ernesto's complaint.

### Ruling of the Court

We partially grant the petition.

As a general rule, the Court refrains from ruling on factual issues. However, when the factual findings of the RTC and the CA are in conflict, such as in this case, then the Court will not hesitate to finally settle the dispute.<sup>43</sup>

An action for reconveyance is based on Section 53, paragraph 3<sup>44</sup> of Presidential Decree No. 1529 in relation to Article 1456 of the Civil Code. The objective of the action is for the property, which has been wrongfully or erroneously registered in another person's name, to be transferred to its rightful and legal owner, or to one with a better right, provided that the property has not passed to an innocent purchaser for value.<sup>45</sup> The party seeking the reconveyance of his or her property must prove that he or she is entitled to the property and that the adverse party committed fraud in obtaining his or her title. Fraud must be established through clear and convincing evidence.<sup>46</sup>

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<sup>40</sup> Id. at 86-87.

<sup>41</sup> Id. at 87-88.

<sup>42</sup> Id. at 88-90.

<sup>43</sup> See *Magalang v. Spouses Heretape*, G.R. No. 199558, August 14, 2019.

<sup>44</sup> x x x In all cases of registration procured by fraud, the owner may pursue all his legal and equitable remedies against the parties to such fraud without prejudice, however, to the rights of any innocent holder for value of a certificate of title. x x x

<sup>45</sup> *Uy v. Court of Appeals*, 769 Phil. 705, 725.

<sup>46</sup> *Magalang v. Spouses Heretape*, supra note 43.

In this case, Ernesto alleged that he signed blank sheets of paper for the subdivision of Lot No. 1. Spouses Guzman used these to execute the Affidavit of Splitting and Deed of Reconveyance in their favor. They subsequently sold Lot Nos. 1-A-1 and 1-A-2 to Marissa and Samuel. There is no doubt that Ernesto is the owner of Lot No. 1. The question is whether he executed the Deed of Reconveyance in favor of Luzviminda to give her in full ownership a portion of Lot No. 1.

On the part of respondents, they argue that since the Deed of Reconveyance was acknowledged before a notary public, it should be classified as a public document pursuant to Section 19(b), Rule 132 of the Revised Rules on Evidence. As a public document, it does not need further proof of its due execution and authenticity. However, We cannot uphold the validity of the notarization of the Deed of Reconveyance. Elizabeth admitted that she did not appear before the Notary Public to acknowledge that she signed said document.<sup>47</sup> Ernesto also denied that he appeared before the notary public.<sup>48</sup> Since the notarization of the Deed of Reconveyance is irregular, its evidentiary value is reduced to that of a private document that requires proof of its due execution and authenticity to be admissible as evidence.<sup>49</sup>

Elizabeth's testimony duly established that Ernesto signed the Deed of Reconveyance. She personally witnessed him affix his signature on the Deed.<sup>50</sup> Notably, Ernesto did not pray for the nullification of the Affidavit of Splitting despite the fact that this was executed on the same day that the Deed of Reconveyance was executed. In addition, the two documents have a similar format and were purportedly notarized by the same notary public on the same day.<sup>51</sup>

The Deed of Reconveyance states:

That said parcel of land which a sister and I acquired sometime in the year 1989, was transferred in my name only sometime on December, 1997, when it was supposed to be registered not only in my name but also in the name of my sister because some of the said consideration came from her.<sup>52</sup>

The foregoing statement is an admission against interest made by Ernesto pursuant to Section 26, Rule 130 of the Revised Rules on Evidence which states that "the act, declaration or omission of a party as to a relevant fact may be given in evidence against him."<sup>53</sup> An admission against interest is made by a party to a litigation or by one in privity with or identified in legal interest with such party, and is admissible whether or not the declarant is

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<sup>47</sup> TSN dated August 16, 2005, pp. 13-14, 17.

<sup>48</sup> TSN dated May 18, 2006, p. 29.

<sup>49</sup> See *Riosa v. Tabaco La Suerte Corporation*, 720 Phil. 586, 602 (2013).

<sup>50</sup> TSN dated August 16, 2005, p. 5.

<sup>51</sup> Records pp. 9-10.

<sup>52</sup> Id. at 10.

<sup>53</sup> This provision was amended by A.M. No. 19-08-15-SC (*Amendments to the 1989 Revised Rules on Evidence*, October 8, 2019) Section 27. *Admission of a Party*. – The act, declaration or omission of a party as to a relevant fact may be given in evidence against him or her.



available as a witness.<sup>54</sup> Nonetheless, it may be refuted by the declarant.<sup>55</sup> In *BP Oil and Chemicals International Philippines, Inc. v. Total Distribution & Logistics Systems, Inc.*,<sup>56</sup> the Court held that respondent's letter to petitioner, which it considered to be an admission against interest, was merely corroborative of the other pieces of evidence presented by petitioner. In said case, respondent was unable to refute the contents of the letter while petitioner was able to establish its case by a preponderance of evidence.<sup>57</sup> In *Rufina Patis Factory v. Alusitain*,<sup>58</sup> the Court held that because the admission against interest was made in a notarial document, thus enjoying the presumption of regularity, the evidence contradicting the facts in the notarial document must be clear and convincing. Respondent was unable to present sufficient evidence to contradict the notarial document containing his admission against his interest.<sup>59</sup> These cases show the Court still weighed the admission against interest vis-à-vis the other evidence presented by the parties.

Ernesto was able to prove that he had no intention of transferring ownership of Lot No. 1-A to Luzviminda in spite of his admission against his interest. Luzviminda merely borrowed the title from Ernesto because she and Arnold wanted to use it as a bond for the Bayantel calling center that they wanted to put up.<sup>60</sup> Ernesto agreed because he wanted to improve Spouses Guzman's financial standing.<sup>61</sup> It is not unnatural for siblings to enter into this type of agreement.

Luzviminda claimed that Ernesto gave her a portion of Lot No. 1 because she contributed ₱30,000.00 for its purchase,<sup>62</sup> out of which ₱28,000 was paid to PNB<sup>63</sup> while the remainder was used to pay taxes for the lot.<sup>64</sup> It is incredulous that Spouses Guzman were content with receiving around 1/4 of Lot No. 1, or 442 square meters out of 1,726 square meters, when they supposedly contributed almost half of the payment for the lot, or ₱30,000.00 out of the total of ₱65,000.00 paid for the lot. In any event, Spouses Guzman did not submit proof of their supposed contribution to the settlement of the Heirs of Baligod's obligation with PNB. Respondents' counsel confronted Ernesto with the photocopy of a receipt from PNB issued in the name of Juan Baligod for the payment of ₱28,641.67.<sup>65</sup> Both parties marked the receipt but did not formally offer it as evidence.<sup>66</sup> Notwithstanding, it is not disputed that the same amount was paid to fully settle the account of the Heirs of Baligod with PNB.

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<sup>54</sup> *BP Oil and Chemicals International Philippines, Inc. v. Total Distribution & Logistics Systems, Inc.*, 805 Phil. 244, 260 (2017).

<sup>55</sup> *Id.*; *Rufina Patis Factory v. Alusitain*, 478 Phil. 544, 558 (2004).

<sup>56</sup> *Id.*

<sup>57</sup> *Id.*

<sup>58</sup> *Rufina Patis Factory v. Alusitain*, 478 Phil. 544, 558 (2004).

<sup>59</sup> *Id.*

<sup>60</sup> TSN dated November 27, 2003, pp. 8-9.

<sup>61</sup> TSN dated May 18, 2006, p. 4.

<sup>62</sup> TSN dated January 19, 2006, p. 4.

<sup>63</sup> *Id.* at 25.

<sup>64</sup> *Id.* at 4.

<sup>65</sup> TSN dated November 27, 2003, p. 3-5; records, p. 87.

<sup>66</sup> Records, pp. 121-123, 161-164.

Further, Mariano testified that Spouses Guzman had no participation in the purchase of Lot No. 1. He only dealt with Ernesto.<sup>67</sup> Ernesto was gainfully employed when he purchased Lot No. 1 from the Heirs of Baligod. He was a Sales and Marketing Manager of Beckton Dickinson and Company earning ₱30,000.00 plus US\$3,000.00 per month.<sup>68</sup> Thus, there was no reason for him to borrow money from Spouses Guzman to pay the loan in connection with Lot No. 1. Victor confirmed this and even claimed that Ernesto supported their children when they were in Manila.<sup>69</sup> Ernesto himself said that he financially supported Spouses Guzman and their family.<sup>70</sup>

In view of the foregoing, Ernesto was able to prove that Luzviminda was merely holding Lot No. 1 in trust for him. A trust is the legal relationship between one person having an equitable ownership of property and another person owning the legal title to such property, the equitable ownership of the former entitling him to the performance of certain duties and the exercise of certain powers by the latter.<sup>71</sup> Under Article 1441 of the Civil Code, trusts are either express or implied. Express trusts are created by the intention of the trustor or of the parties while implied trusts come into being by operation of law. Implied trusts may either be a constructive trust or a resulting trust. A resulting trust is created by implication of law and is presumed as intended by the parties.<sup>72</sup> A resulting trust may arise where, there being no fraud or violation of the trust, the circumstances indicate intent of the parties that legal title in one be held for the benefit of another. Where property, for example, is gratuitously conveyed for a particular purpose and that purpose is either fulfilled or frustrated, the court may affirm the resulting trust in favor of the grantor or transferor, where the beneficial interest in property was not intended to vest in the grantee.<sup>73</sup> The nature of the agreement between Luzviminda and Ernesto shows that a resulting trust exists between them. Luzviminda was only supposed to use Lot No. 1 as a bond for establishing the Bayantel calling station. She is merely a depository of the legal title of Lot No. 1.<sup>74</sup> As such, Luzviminda had no right to sell Lot Nos. 1-A-1 and 1-A-2 to Marissa and Samuel.

The question now is whether Marissa and Samuel can be considered buyers in good faith. A buyer in good faith is one who buys property without notice that some other person has a right to or interest in such property and pays its fair price before he or she has notice of the adverse claims and interest of another person in the same property.<sup>75</sup> The buyer of a parcel of land need not look beyond the TCT to be considered in good faith for value, except if he or she has actual knowledge of any defect or other circumstance that would cause "a reasonably cautious man" to inquire into the title of the seller.<sup>76</sup> The one claiming to be a buyer in good faith has the burden of proving it.<sup>77</sup> Marissa

<sup>67</sup> TSN dated April 1, 2003, p. 10.

<sup>68</sup> TSN dated April 22, 2003, pp. 18-19.

<sup>69</sup> TSN dated April 13, 2005, pp. 11-12.

<sup>70</sup> TSN dated April 22, 2003, p. 18; TSN dated May 18, 2006, p. 5.

<sup>71</sup> *Estate of Cabacungan v. Laigo*, 671 Phil. 132, 146 (2011).

<sup>72</sup> *Spouses Aboitiz v. Spouses Po*, 810 Phil. 123, 143 (2017).

<sup>73</sup> *Supra* note 71 at 149.

<sup>74</sup> *Id.*

<sup>75</sup> *Tolentino v. Spouses Latagan*, 761 Phil. 108, 134 (2015).

<sup>76</sup> *Supra* note 72 at 171.

<sup>77</sup> *Supra* note 75.

and Samuel were able to prove that they were buyers in good faith. Though Ernesto claimed that he informed them of his ownership over Lot Nos. 1-A-1 and 1-A-2 in June 2001, Marissa and Samuel both denied this and said that he only approached them in March 2002,<sup>78</sup> or after they already purchased their respective properties on November 22, 2001. Marissa and Samuel's averment is more believable considering that the notice of Ernesto's adverse claim was not indicated in the titles in Luzviminda's name, TCT Nos. T-8194 and T-8195, but was only registered on their titles, TCT Nos. T-8414 and T-8415. TCT Nos. T-8194 and T-8195 were shown to Marissa and Samuel before they purchased their respective properties.<sup>79</sup> They cannot be faulted for relying on TCT Nos. T-8194 and T-8195. There is no proof that Marissa and Samuel were aware of any other circumstance which should have prompted them to further investigate the ownership of Luzviminda. Notably, Ernesto did not even include Marissa and Samuel when he brought this matter before the Office of the Barangay Captain for possible settlement or conciliation.<sup>80</sup> Since Marissa and Samuel are buyers in good faith, Lot Nos. 1-A-1 and 1-A-2 can no longer be reconveyed to Ernesto.

The same cannot be said with respect to Lot No. 1-A-3. No proof that it is now titled under an innocent holder for value was presented before the court. Luzviminda cannot retain Lot No. 1-A-3 because she acquired it through fraud. Thus, Lot No. 1-A-3 should be reconveyed to Ernesto.

**WHEREFORE**, the petition is **PARTIALLY GRANTED**. The Decision dated May 25, 2012 and the Resolution dated December 6, 2012 of the Court of Appeals in CA-G.R. CV No. 89931 are **AFFIRMED with MODIFICATION** in that petitioner Ernesto R. Serrano is hereby declared the rightful owner of Lot No. 1-A-3 covered by Transfer Certificate of Title No. T-8196. Respondents Luzviminda and Arnold Guzman are hereby **ORDERED** to execute a deed of reconveyance over Transfer Certificate of Title No. T-8196 in favor of petitioner Ernesto R. Serrano.

**SO ORDERED.**

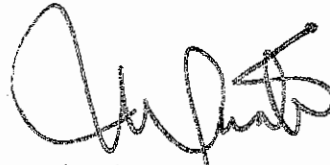
  
ROS MARI D. CARANDANG  
*Associate Justice*

<sup>78</sup> TSN dated October 12, 2005, p. 7; TSN dated March 15, 2006, p. 7.

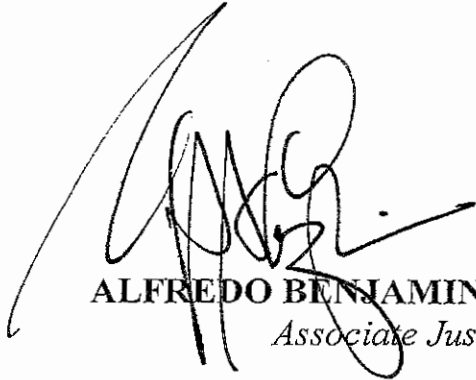
<sup>79</sup> Id. at 6-7; TSN dated March 15, 2006, p. 6.

<sup>80</sup> Records, p. 15.

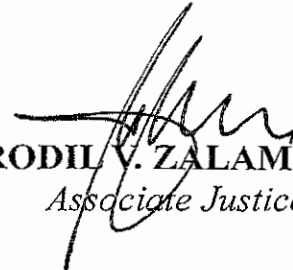
**WE CONCUR:**



**DIOSDADO M. PERALTA**  
*Chief Justice*



**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*



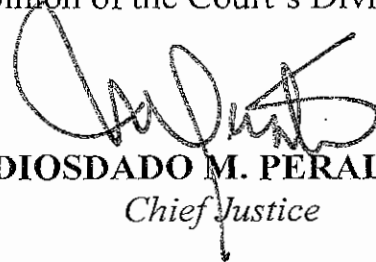
**RODIL V. ZALAMEDA**  
*Associate Justice*



**SAMUEL H. GAERLAN**  
*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.



**DIOSDADO M. PERALTA**  
*Chief Justice*