



Republic of the Philippines
Supreme Court
 Manila

FIRST DIVISION

**TECHNOLOGY RESOURCE
 CENTER (TRC) (formerly
 known as TECHNOLOGY AND
 LIVELIHOOD RESOURCES
 CENTER,**

Petitioner,

- versus -

**HEIRS OF RODOLFO
 MANIPOL ALVAREZ,
 represented by BEATRIZ
 ALVAREZ,**

Respondents.

G.R. No. 214410

Present:

**GESMUNDO, C.J.,
 Chairperson,
 HERNANDO,
 ZALAMEDA,
 ROSARIO, and
 MARQUEZ, JJ.**

Promulgated:

AUG 03 2022

X-----X

DECISION

HERNANDO, J.:

This Petition for Review on *Certiorari*¹ assails the April 24, 2014 Decision² of the Court of Appeals (CA) in CA-G.R. CV No. 97375 which reversed and set aside the March 29, 2011 Decision³ of the Regional Trial Court (RTC) of Calamba City, Branch 92 in Civil Case No. 3229-02-C. The CA declared null and void the May 30, 1978 Deed of Absolute Sale, the tax declarations issued pursuant thereto, and the real estate mortgage constituted over Lot No. 4310 situated in Barrio Maahas, Los Baños, Laguna, insofar as the one-half share of the respondents in the subject property is concerned.⁴

¹ *Rollo*, pp. 10-30.

² *Id.* at 32-41. Penned by Associate Justice Florito S. Macalino and concurred in by Associate Justices Sesinando E. Villon and Nina G. Antonio-Valenzuela.

³ *CA rollo*, pp. 27-38. Penned by Judge Alberto F. Serrano.

⁴ *Rollo*, p. 40.

The Antecedents

On February 19, 2022, respondents Heirs of Rodolfo Manipol Alvarez (Heirs of Alvarez) filed a Complaint⁵ for annulment of Real Estate Mortgage, Deed of Absolute Sale, Tax Declaration No. 16413 issued by the Municipal Assessor's Office of Los Baños, Laguna, and all proceedings or documents of alleged ownership, partition with damages, and prayer for the issuance of writ of preliminary injunction, against the spouses Pablo and Fidela Zarate (spouses Zarate) and Technology Resource Center (TRC).⁶

The subject of the controversy pertained to the ownership of a parcel of land located in Barrio Maahas, Los Baños, Laguna, denominated as Lot No. 4310 (subject property), and claimed to be under the name of Rodolfo Manipol Alvarez (Rodolfo). Rodolfo was married to Beatriz Alvarez (Beatriz) with whom he has three children. Respondents in this case are the heirs of Rodolfo. On the other hand, the petitioner in this case is TRC, formerly known as Technology and Livelihood Resources Center, to which the subject property was mortgaged by the spouses Zarate. Fidela is the sister of Rodolfo, who likewise claimed ownership over the subject property.

The respondents' version of the incidents surrounding the case which gave rise to the abovementioned complaint is summarized by the CA in the following manner, *viz.*:

[Beatriz Alvarez], is the widow of Rodolfo Alvarez [(Rodolfo)], with whom she has three children, namely, Rudiger Alvarez, Brigitte Alvarez, and Karen Alvarez.

Rodolfo was one of the ten (10) children of the late Miguel Alvarez and Vicenta Manipol Alvarez (Spouses Miguel and Vicenta) who passed away on December 10, 1983 and on January 12, 1992, respectively. His parents had several properties located in Laguna, Batangas, Occidental Mindoro, and Mandaluyong, all of which were distributed by "toka" (oral giving), during their lifetime, among their children- some of whom have already transferred their shares in their names. Of these properties, one half (1/2) of the 2,696 square-meter property located in Maahas, Los Baños, Laguna was given to Rodolfo while the other half thereof was given to defendant-appellee Fidela Alvarez Zarate. Upon receipt of his share, Rodolfo built a house on his share in 1975 and has lived therein with his family who continue occupying the same up to the present.

After the death of Rodolfo in the year 2001, Beatriz went to the Assessor's Office and discovered that her husband's share has been transferred in the name of Fidela and her husband Pablo Zarate (Spouses Zarate) by virtue of a Deed of

⁵ Records, pp. 1-10.

⁶ Id. at 1-8.

Absolute Sale dated May 30, 1978. The signatures of Spouses Miguel and Vicenta in said Deed and in the Affidavit attached thereto are not genuine compared with the documents bearing the standard signatures of Spouses Miguel and Vicenta.

Moreover, contrary to the representation of the Notary Public in the Deed of Sale, Attorney Avelino Ramos was not commissioned as Notary Public for the Province of Laguna.

Worse, the entirety of the said property was mortgaged with the [TRC] and the same has caused her sleepless nights, mental anguish, and anxiety of the likelihood that they will be left homeless upon the foreclosure of said property.⁷

On the other hand, the spouses Zarate maintained that the subject property was registered under their names by virtue of a Deed of Absolute Sale executed by the spouses Miguel Alvarez and Vicenta Manipol on May 30, 1978.⁸ Moreover, they have been paying real property taxes over the subject property as early as April 28, 1994. Thus, the version of the petitioner,⁹ as summarized in its Brief reads:

On [January 4, 1987], x x x TRC formally informed the Chairman/General Manager of Princesa Cotton Corporation, Mr. Pablo M. Zarate, that its loan application under the Agro-Industrial Technology Transfer Program (AITTP) managed by [TRC] has been approved in the amount of ₱2,500,000.00, subject to the terms and conditions stated in the letter.

On [January 28, 1988], [TRC] and Princesa Cotton Corporation, represented by its President/Chairman, Pablo M. Zarate, executed a Loan Agreement for the principal amount of ₱2,500,000.00.

On [February 9, 1988], Princesa Cotton Corporation, represented by its President/Chairman, Pablo M. Zarate, and co-mortgagors, Sps. Pablo M. Zarate and Fidela A. Zarate [Sps. Zarate], executed a Mortgage Contract in favor of defendant-appellee TRC, which provided, among others, the properties mortgaged shall include the following:

1. TCT Nos. T-88557 and T-88558, 484 sq.m., Bo. Calo, Bay, Laguna
2. Tax Declaration No. 166690, 2696 sq.m., Bo. Maahas, Los [Baños], Laguna
3. TCT No. T-11305, 5,000 sq.m., San Jose, Puerto Princesa, Palawan

Said mortgage in favor of [TRC] were duly annotated on the above-mentioned Transfer Certificates of Title and Tax Declaration of the mortgaged properties.

⁷ *Rollo*, pp. 33-34.

⁸ *Records*, p. 302.

⁹ *CA rollo*, pp. 123-126.

Subsequently, borrower/mortgagor Princesa Cotton Corporation, represented by its President/Chairman, Pablo M. Zarate, and co-makers/co-mortgagors, [Sps. Zarate] (in their personal capacities), also executed several Promissory Notes in favor of TRC for the several drawdown amounts/value they received from TRC under the aforementioned loan.

On [March 5, 1990], borrower/mortgagor Princesa Cotton Corporation, represented by its President/Chairman, Pablo M. Zarate executed an Addendum to Mortgage in favor of [TRC].

Borrower/mortgagor Princesa Cotton Corporation, represented by its President/Chairman, Pablo M. Zarate, incurred default in the payment of its loan obligations.

[TRC] gave all the opportunity for Princesa Cotton Corporation and [Sps. Zarate] to pay their loan obligation and/or settle their loan arrearages. In fact, [TRC] granted restructuring arrangements to Princesa Cotton Corporation and Sps. Zarate. On [January 17, 1991], borrower/mortgagor Princesa Cotton Corporation, represented by its President/Chairman, Pablo M. Zarate, and [TRC] executed a Restructuring Agreement. Likewise, on [February 19, 1993], borrower/mortgagor Princesa Cotton Corporation, represented by its President/Chairman, Pablo M. Zarate, and [TRC] executed another Restructuring Agreement.

Borrower/Mortgagor Princesa Cotton Corporation still continued to fail to pay its loan obligations to TRC on its due date/s despite repeated demands for payment, thereby expressly violated the terms and conditions of the Loan Agreement, Mortgage Contract, Promissory Notes, and other loan-related documents that it has executed in favor of [TRC]. Hence, [TRC] undertook the foreclosure of the mortgaged properties.

On [July 30, 2001], the Office of the Sheriff of the Regional Trial Court of Palawan and Puerto Princesa City issued a Certificate of Sale involving the mortgaged property situated in Puerto Princesa City under TCT No. 11305.

On [October 8, 2001], the Office of the Ex-Officio Sheriff of the Regional Trial Court of the City of Calamba also issued a Certificate of Sale involving the mortgaged properties situated in Bo. Calo, Bay, Laguna, under TCT Nos. T-88557 and T-88558.¹⁰

TRC further argued that respondents are barred by laches as it took them 24 years to question the deed of absolute sale and about 14 years from the registration of the said deed to assert their alleged rights over the subject property.

¹⁰ Id. at 123-126.

Ruling of the Regional Trial Court

The RTC, in its Decision¹¹ dated March 29, 2011, dismissed the complaint. It held that the essential requisites for the validity of a donation of an immovable property provided under Article 749 of the Civil Code must be complied with, and failure to comply with the same will render the donation *void ab initio*. In this case, the trial court found the donation of the subject property made in favor of the heirs of Rodolfo void for failure to comply with the formalities provided by law.

However, it declared the Deed of Absolute Sale a valid deed of conveyance executed in favor of the spouses Zarate as it contains all the essential elements of a valid contract, and that it complied with all the formalities required by law. Since the Zarates are found to be the absolute owners of the subject mortgaged property, the real estate mortgage executed in favor of TRC is considered valid as it complied with all the legal requisites provided under Article 2085 of the Civil Code. It further ruled that TRC and its representatives were neither negligent nor irresponsible in accepting the subject property as collateral for the said loan obligation.

Lastly, it found respondents barred by the equitable principle of laches for failing to assert their alleged right within a reasonable period of time. It appears that the Deed of Absolute Sale was executed on May 30, 1978, but the respondents filed the complaint only on February 19, 2002.

The dispositive portion of the RTC Decision reads:

WHEREFORE, plaintiffs' instant complaint is hereby DISMISSED, with costs against the plaintiffs. The compulsory counter claim of defendant-spouses Pablo Zarate and Fidela Zarate is also DISMISSED.

SO ORDERED.¹²

Aggrieved, respondents elevated the case before the CA.

Ruling of the Court of Appeals

In its Decision¹³ dated April 24, 2014, the CA reversed and set aside the decision of the RTC. The dispositive portion of the CA Decision reads:

¹¹ Id. at 27-38.

¹² Id. at 38.

¹³ *Rollo*, pp. 32-41.

WHEREFORE, premises considered, the appeal is GRANTED. The March 29, 2011 Decision of the Regional Trial Court of Calamba City, Branch 92 in Civil Case No. 3229-02-C is REVERSED and SET ASIDE. The May 30, 1978 Deed of Absolute Sale, the tax declarations issued pursuant thereto, and the real estate mortgage constituted over Lot. No. 4310 situated in Barrio Maahas, Los Baños, Laguna are hereby declared NULL and VOID insofar as the ½ share of plaintiffs- appellants in the subject property is concerned.

SO ORDERED.¹⁴

The appellate court upheld the validity of the oral donation made in favor of the heirs of Rodolfo over the subject property. It is not required that the partition agreement be registered or annotated to be valid. What is important is that the acts of ownership are exercised over the subject property, making the parties estopped from denying the existence of the oral partition. Thus, the mortgage executed by the Zarates in favor of TRC is invalid but only in so far as the share of the respondents is concerned. Citing Article 2085 of the Civil Code, it held that the mortgagor must be the absolute owner of the thing mortgaged. Further, the TRC was remiss in its duty of ascertaining the status of the property to be mortgaged and verifying its real owners.

Anent the issue of laches, the CA rejected the contention of TRC and ruled that the opportunity to file the abovementioned complaint arose only upon discovery of the deed of sale and tax declaration in the name of the spouses Zarate, thus, the lack of knowledge prior to such discovery cannot give rise to the defense of laches.

Hence, this Petition for Review on *Certiorari*.

Issues

- a. Whether the CA committed a reversible error in ruling that the principle of laches did not set in; and
- b. Whether the CA committed a reversible error in giving weight to the unfounded allegation of “toka” or oral partition against the written document of deed of absolute sale.

Our Ruling

The petition is bereft of merit.

¹⁴ Id. at 40.

The principle of laches is not applicable

The principle of laches or “stale demands” is the failure or neglect, for an unreasonable and unexplained length of time, to do that which by exercising due diligence could or should have been done earlier.¹⁵ To constitute laches, the following elements must concur, to wit:

- (1) Conduct on the part of the defendant, or of one under whom he claims, giving rise to the situation of which complaint is made for which the complaint seeks a remedy;
- (2) Delay in asserting the complainant’s rights, the complainant having had knowledge or notice, of the defendant’s conduct and having been afforded an opportunity to institute a suit;
- (3) Lack of knowledge or notice on the part of the defendant that the complainant would assert the right on which he bases his suit; and
- (4) Injury or prejudice to the defendant in the event relief is accorded to the complainant, or the suit is not held to be barred.¹⁶

Petitioner TRC maintained that respondents failed to assert their alleged right within a reasonable period of time. Respondents waited for a period of 24 years to question the said Deed of Absolute Sale and about 14 years to question its registration, to assert their rights over the subject property.

Laches does not lie in this case. The Court concurs with the ruling of the CA that not all of the essential elements of laches are present in the case at bar, specifically the second element as abovementioned. The records show that sometime after the death of Rodolfo in 2001, Beatriz went to the Assessor’s Office to secure a copy of Tax Declaration No. 7003 pertaining to the subject property and to their surprise, the said tax declaration has already been cancelled and the property subject thereof was already transferred to the Zarates. Thus, as correctly ruled by the CA, the opportunity to file the said complaint arose only upon the discovery of the deed of sale and tax declaration in the name of the Zarates. Verily, since the respondents had no knowledge of the commission of the act complained of, the delay in asserting such rights over the subject property cannot give rise to the principle of laches.

The validity of an oral partition is well settled

¹⁵ *Department of Education, Culture and Sports v. Heirs of Regino Banguilan*, 833 Phil. 943, 951 (2018). Citation omitted.

¹⁶ *Id.* at 952, citing *Phil-Air Conditioning Center v. RCJ Lines*, 773 Phil. 352, 369 (2015).

Petitioner maintains that between the alleged oral partition or “toka” and the deed of absolute sale executed on the subject property, the latter shall prevail. Furthermore, the alleged claim of the respondents over the subject property has not ripened into ownership since they did not conform to the formalities prescribed by law.

The Court disagrees.

In the case of *Heirs of Jarque v. Jarque*,¹⁷ it was stressed that courts of equity have enforced oral partition when it has been completely or partly performed, *viz.*:

Regardless of whether a parol partition or agreement to partition is valid and enforceable at law, equity will in proper cases, where the parol partition has actually been consummated by the taking of possession in severalty and the exercise of ownership by the parties of the respective portions set off to each, recognize and enforce such parol partition and the rights of the parties thereunder. Thus, it has been held or stated in a number of cases involving an oral partition under which the parties went into possession, exercised acts of ownership, or otherwise partly performed the partition agreement, that equity will confirm such partition and in a proper case decree title in accordance with the possession in severalty.

In numerous cases it has been held or stated that parol partitions may be sustained on the ground of estoppel of the parties to assert the rights of a tenant in common as to parts of land divided by parol partition as to which possession in severalty was taken and acts of individual ownership were exercised. And a court of equity will recognize the agreement and decree it to be valid and effectual for the purpose of concluding the right of the parties as between each other to hold their respective parts in severalty.

A parol partition may also be sustained on the ground that the parties thereto have acquiesced in and ratified the partition by taking possession in severalty, exercising acts of ownership with respect thereto, or otherwise recognizing the existence of the partition.

A number of cases have specifically applied the doctrine of part performance, or have stated that a part performance is necessary, to take a parol partition out of the operation of the statute of frauds. It has been held that where there was a partition in fact between tenants in common, and a part performance, a court of equity would have regard to and enforce such partition agreed to by the parties.¹⁸

In this case, the ownership of the subject property is established by evidence. The records show that during the lifetime of the spouses Alvarez, half of the 2,696 square-meter property located in Maahas, Los Baños, Laguna was

¹⁷ G.R. No. 196733, November 21, 2018.

¹⁸ *Id.*

given by “toka” to Rodolfo while the other half to Fidela Zarate. Upon receipt of his share, Rodolfo built a house in 1975 and his heirs continue to occupy the same up to the present. This is also supported by the testimony of Fidela who narrated in this wise:

ATTY. PERALTA

Q: So, Madam Witness, who are now in possession of the subject property?

A: My family and the family of my late brother Rodolfo Alvarez.

Q: How many houses are there?

A: More or less four (4).

x x x x

Q: And how long have you been in possession of the subject property?

A: Since 1972.

Q: Continuously up to the present time?

A: Yes, sir.

Q: How about the family of your deceased brother Rodolfo Alvarez, if you know? How long they have been in possession?

A: They have been there since 1975 up to the present.

Q: And how far is your house to the house of your deceased brother Rodolfo Alvarez?

A: About seventeen (17) meters.¹⁹


Hence, the spouses Zarate can no longer lay claim on the one-half share of the respondents in the subject property since they knew that prior to the execution of the alleged deed of sale, the respondents have already been occupying the subject property. Moreover, they can no longer question the validity of such oral partition as its validity is well settled in Our jurisdiction.

Moreover, as aptly noted by the CA, the spouses Zarate, not being the absolute owners of the subject property, have no right to mortgage the same to petitioner TRC. Article 2085 of the Civil Code expressly provides that in order for a mortgage contract to be valid, one of the essential requisites is that the mortgagor must be the absolute owner of the thing mortgaged. Thus, We affirm the ruling of the CA that the real estate mortgage constituted over Lot No. 4310 is null and void insofar as the one-half share of the respondents in the subject property is concerned.

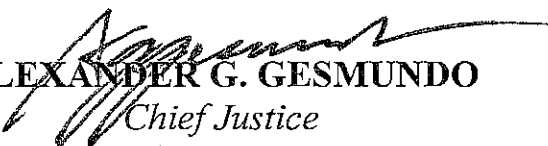
WHEREFORE, the petition is **DENIED**. The Decision dated April 24, 2014 of the Court of Appeals in CA-G.R. CV No. 97375 is **AFFIRMED**.


¹⁹ TSN, February 5, 2008, p. 8.

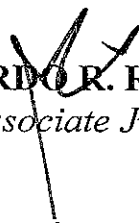
SO ORDERED.


RAMON PAUL L. HERNANDO
Associate Justice

WE CONCUR:


ALEXANDER G. GESMUNDO
Chief Justice
Chairperson

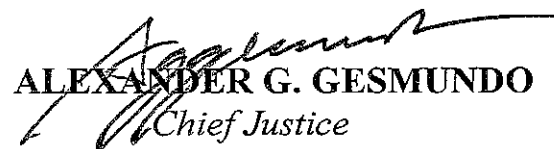

RODIL V. ZALAMEDA
Associate Justice


RICARDO R. ROSARIO
Associate Justice


JOSE MIDAS P. MARQUEZ
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.


ALEXANDER G. GESMUNDO
Chief Justice