



Republic of the Philippines  
Supreme Court  
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated July 6, 2022 which reads as follows:*

**“G.R. No. 202968 (*Spouses Pedro and Juana Tabar v. Atty. Superman Usop, Said A. Usop, Cosain A. Umpa, and Development Bank of the Philippines*).** – This Petition<sup>1</sup> assails the Decision<sup>2</sup> dated 28 February 2012 and Resolution<sup>3</sup> dated 04 July 2012 of the Court of Appeals (CA) in CA-G.R. CV No. 76818. The CA affirmed with modification the Decision<sup>4</sup> dated 26 July 2002 of Branch 21, Regional Trial Court (RTC), Kapatagan, Lanao del Norte in Civil Case No. 21-125

**Antecedents**

Subject of the controversy is a 13-hectare lot situated at Padianan, Salvador, Lanao del Norte, formerly Cabuyao, and now a part of Kilala Salvador, Lanao del Norte designated as Lot No. 3175, Pls.-13.<sup>5</sup>

Petitioner spouses Pedro (petitioner Pedro) and Juana Tabar (collectively, petitioners) and respondents Atty. Superman Usop, Said Usop and Cosain Umpa (respondent Umpa; collectively, respondents) are simultaneously claiming the disputed property on the basis of their alleged possession *en concepto de dueño* since time immemorial. Respondents alleged that they left the property in 1971 due to the Ilaga-Baracuda conflict.<sup>6</sup>

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<sup>1</sup> *Rollo*, pp. 63-86.

<sup>2</sup> *Id.* at 28-40; penned by Associate Justice Melchor Q.C. Sadang and concurred in by Associate Justices Edgardo T. Lloren and Zenaida T. Galapate-Laguilles.

<sup>3</sup> *Id.* at 42-44; penned by Associate Justice Edgardo T. Lloren and concurred in by Associate Justices Romulo V. Borja and Maria Elisa Sempio Diy.

<sup>4</sup> *Id.* at 11-26; rendered by Presiding Judge Jacob T. Malik.

<sup>5</sup> *Id.* at 162-163.

<sup>6</sup> *Id.*

In 1977, petitioner Pedro, on the strength of a tax declaration that he got for the disputed property, was able to obtain a loan from the Development Bank of the Philippines (DBP) in the amount of ₱150,000.00, secured by a mortgage over the property.<sup>7</sup>

Subsequently, petitioners' application for sales patent with the Bureau of Lands was dropped from the records and respondents were issued Original Certificate of Title Nos. P-6817, P-6818 and P-6819 on 17 September 1979. Petitioners protested the issuance of the certificates of title before the Community Environment and Natural Resources Office (CENRO), but the case was dismissed for lack of jurisdiction on the CENRO order dated 03 January 1991.<sup>8</sup>

Thereafter, respondent Umpa designated petitioner Pedro to be the property caretaker. In 1987, petitioner Pedro informed respondents that he could no longer take care of the property due to the worsening peace and order situation in the locality. Respondents learned sometime in 1989, that despite relinquishing the stewardship over the property, petitioners continued to occupy and cultivate the same as well as harvest fruits thereon. Thus, in 1990, respondents instituted an action for forcible entry against petitioners. The case was however dismissed on technical grounds.<sup>9</sup>

Respondents later discovered that the subject property was mortgaged by petitioners and was foreclosed by DBP, and subsequently transferred to the Department of Agrarian Reform (DAR) on 11 January 1995, pursuant to Executive Order No. 407<sup>10</sup> dated 14 January 1990.<sup>11</sup>

On 02 July 1997, respondents filed a Complaint<sup>12</sup> against petitioners seeking the recovery of possession and ownership of the property and accounting of the income thereof. They likewise impleaded DBP and DAR as they also sought the nullification of the mortgage, extrajudicial foreclosure, Sheriff's Certificate of Sale and Deed of Transfer executed by DBP in favor of DAR, with prayer for damages.<sup>13</sup>

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<sup>7</sup> Id.

<sup>8</sup> Id. at 30.

<sup>9</sup> Id. at 164.

<sup>10</sup> Id. at 30.

<sup>11</sup> Id.

<sup>12</sup> Id. at 162-169.

<sup>13</sup> Id. at 30-31.

In their Answer,<sup>14</sup> petitioners admitted that they mortgaged the subject property with DBP but denied that the transaction was tainted with fraud and bad faith. They maintained that (1) they are the absolute owners of the property, (2) they have been in possession of it even before the World War II, (3) they are the actual occupants thereof, and (4) the mortgage was a mere exercise of their right as owners. Petitioners also attacked the validity of the certificates of title issued to respondents, contending that the latter are strangers to the land and if they were able to secure titles to the property, it must have been secured through fraud and misrepresentation.<sup>15</sup>

DBP on its part, refuted respondents' allegation that the mortgage was irregular. It averred that it has an existing policy of accepting untitled lots as collateral for loans. Petitioners had a tax declaration over the property and were the actual occupants thereof, per the appraiser's report.<sup>16</sup>

On the other hand, the DAR denied all the allegations and sought the dismissal of the complaint. It opted not to deal with the subject property when it found out that the same was not yet titled in the name of DBP or in the names of petitioners, and when the respondents' alleged titles were brought to the attention of the Municipal Agrarian Reform Officer (MARO) assigned in Salvador, Lanao del Norte. It also manifested that it is contemplating on reconveying the property to DBP.<sup>17</sup>

### **Ruling of the RTC**

In its Decision<sup>18</sup> dated 26 July 2002, the RTC ruled in favor of respondents. The dispositive portion reads:

**WHEREFORE**, in view of the foregoing, judgment is hereby rendered in favor of the plaintiffs and against the defendants in the following manner:

1. Ordering the permanency of the preliminary mandatory injunction directing the spouses defendants, their agents, representatives and all persons acting for and in their behalf, to permanently vacate the land in question and peacefully deliver complete possession thereof to the plaintiffs;

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<sup>14</sup> Id. at 170-174.

<sup>15</sup> Id.

<sup>16</sup> Id. at 31.

<sup>17</sup> Records, pp. 33-34.

<sup>18</sup> Id. At 11-26.

2. Ordering the defendants spouses to render an accounting on the incomes derived from the land in question since 1989 to date and/or until they vacate the subject premises and pay it to plaintiffs;

3. Ordering defendants spouses to pay herein plaintiffs P100,000.00 xxx as moral damages; P50,000.00 xxx as exemplary damages; P50,000.00 xxx as attorney's fees and litigation expenses;

4. Declaring null and void, insofar as the land in question is concerned, the following documents to wit: First, the Deed of Mortgage dated July 14, 1997 executed by the defendants spouses in favor of the DBP, Iligan City Branch, mortgaging the subject land; Second, the Extra-Judicial Foreclosure filed by defendant DBP foreclosing said Mortgage; Third, the Sheriff's Certificate of Sale dated November 21, 1980 selling at public auction the land in question to the DBP; and Fourth, the Deed of Transfer dated September 19, 1991 executed by the DBP, transferring, assigning and conveying the subject land in favor of the Republic of the Philippines thru the Department of Agrarian Reform represented by the Provincial Agrarian Reform Officer of Lanao del Norte in the person of Mittaman Arumpac.

**SO ORDERED.**<sup>19</sup>

The RTC held that respondents were able to prove their superior right over the property; that petitioners were occupying the property by mere tolerance of respondents;<sup>20</sup> and that since petitioners are not the owners of the subject property, they have no color of right to mortgage the same to DPB, compounded by the finding that the latter is not a mortgagee in good faith. Consequently, the RTC voided the mortgage executed by petitioners in favor of DBP, the extra-judicial foreclosure, the certificate of sale and the Deed of transfer to DAR.<sup>21</sup>

Petitioners and DBP appealed the Decision to the CA.<sup>22</sup>

**Ruling of the CA**

The CA denied the appeal in its Decision<sup>23</sup> dated 28 February 2012, the dispositive portion of which reads:

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<sup>19</sup> Rollo, pp. 25-26.

<sup>20</sup> Id. at 32.

<sup>21</sup> Id. at 25.

<sup>22</sup> Id. at 28

<sup>23</sup> Id. at 28-40.

**WHEREFORE**, premises foregoing, the appeal is hereby **DENIED** and the Decision dated July 26, 2002, of Branch 21 of the Regional Trial Court of Lanao del Norte in Civil Case No. 21-125 is **AFFIRMED** with the modification that defendant-appellants Spouses Pedro and Juana Tabar are ordered to pay defendant-appellant Development Bank of the Philippines the amount of EIGHT HUNDRED EIGHT THOUSAND FIVE HUNDRED FIFTY-SIX PESOS AND SIX CENTAVOS ([PhP] 808,556.06). This amount shall further earn legal interest of twelve percent (12%) per annum reckoned from the finality of this decision until its satisfaction.

**SO ORDERED.**<sup>24</sup>

In denying the appeal, the CA held that the RTC did not err in holding that respondents had a better right to the possession of the subject property. Respondents proffered their certificates of title to prove ownership thereof while petitioners relied on their tax declaration coupled with their alleged possession and actual occupation of the property. Compared to a tax declaration, a certificate of title is without question, far superior, the former not being conclusive evidence of ownership.<sup>25</sup> The CA also declared void and ineffective the mortgage executed by petitioners in favor of DBP, the latter not being absolute owners of the subject property thereof.<sup>26</sup> As a void contract, the mortgage did not give rise to rights or obligations and the foreclosure sale and subsequent proceedings are likewise null and void.<sup>27</sup> The CA, however, held that the nullity of the mortgage, an accessory contract, does not affect the validity of the loan agreement between DBP and petitioners. Consequently, petitioners must still pay DBP their outstanding obligation in accordance with what is stipulated in the loan agreement.<sup>28</sup>

Petitioners sought reconsideration,<sup>29</sup> which the CA denied in its Resolution.<sup>30</sup> Hence, this Petition.<sup>31</sup>

**Issue**

The sole issue in this case is whether the CA erred in denying the appeal.

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<sup>24</sup> Id. at 40.

<sup>25</sup> Id. at 34-35.

<sup>26</sup> Id. at 36-37.

<sup>27</sup> Id. at 38-39.

<sup>28</sup> Id. at 39.

<sup>29</sup> Id. at 104-114.

<sup>30</sup> Id. at 42-44.

<sup>31</sup> Id. at 63-86.

### **Ruling of the Court**

The petition is DENIED.

Prefatorily, the instant petition raises factual issues which call for the reassessment of the evidence presented by the parties below. This is beyond the province of this Court's review. While a petition for review under Rule 45 admits of exceptions, petitioners failed to adduce any exceptional circumstance that would warrant the relaxation of the rules. Absent any exception, the factual findings of the lower court must be accorded respect.<sup>32</sup> Respondents have a better right of possession over the subject property.

It is petitioners' postulation that they are the rightful owners of the subject property, being in actual, adverse, notorious, public, and physical possession thereof even before World War II. Petitioners' claim of possession and ownership was anchored primarily on their tax declaration as well as payment of real estate taxes thereon.<sup>33</sup>

We, however, subscribe to the factual findings of the RTC, as affirmed by the CA, that petitioners cannot be declared owners of the subject property and have better right than respondents who are the registered owners thereof. Respondents were able to prove, by a preponderance of evidence, that they have a better right of possession over the subject property. As found by the RTC, (1) petitioners failed to substantiate their claim, the testimony of their witness was full of obscurity, and the testimony of petitioner Pedro was sel-serving; (2) denial of petitioner Pedro's application for sales patent in 1951 consequently made petitioner's possession of the land in the nature of an occupation by tolerance, as in the case of illegal settlers; and (3) the tax declaration and tax receipt of petitioners *vis-a-vis* the certificates of title issued in the name of respondents are not conclusive evidence of ownership and possession.<sup>34</sup>

Moreover, the Court has repeatedly held that tax declarations or receipts cannot prevail over a certificate of title, the same being an incontrovertible proof of ownership.<sup>35</sup> Settled is the rule in land registration that the certificate of title serves as evidence of an

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<sup>32</sup> *Pascua v. Tenedor*, G.R. No. 248232, 08 January 2020.

<sup>33</sup> *Rollo*, p. 75.

<sup>34</sup> *Id.* at 18-19.

<sup>35</sup> *Cabonita v. Heirs of Mahilum*, G.R. No. 252202, 13 July 2020; *Lerias v. Court of Appeals*, G.R. No. 193548, 08 April 2019; *Heirs of Vencilao, Sr. v. Court of Appeals*, 351 Phil. 815, 816 (1998).

indefeasible and incontrovertible title to the property in favor of the person whose name appears therein. It is conclusive evidence with respect to the ownership of the land described therein. The age-old rule is that the person who has a Torrens title over a land is entitled to possession thereof.<sup>36</sup>

To emphasize, a title once registered cannot be defeated, even by an adverse, open, and notorious possession. Registered title under the Torrens system cannot be defeated by prescription. The title, once registered, is notice to the world. All persons must take notice. No one can plead ignorance of the registration.<sup>37</sup>

*Nullity of the Real Estate Mortgage  
does not invalidate the principal loan*

Petitioners likewise argue that it would be unjust enrichment on the part of the DBP if the proceeds of the foreclosure sale involving the five other lots will not be credited in its favor.<sup>38</sup>

We agree with the CA that the nullity of the real estate mortgage does not result in the invalidation of petitioners' loan obligation with the DBP. A mortgage is merely an accessory agreement and does not affect the principal contract of loan.<sup>39</sup> What is lost is merely the right to foreclose the mortgage as a special remedy for satisfying the indebtedness which is the principal obligation.<sup>40</sup> A mortgage contract is by nature, indivisible. Consequent to this feature, a debtor cannot ask for the release of any portion of the mortgaged property or of one or some of the several properties mortgaged unless and until the loan thus secured has been fully paid, notwithstanding the fact that there has been partial fulfillment of the obligation.<sup>41</sup>

Corollary to this, the mortgage being an indivisible contract, there can be no partial extinguishment thereof.<sup>42</sup> The Certificate of Sale<sup>43</sup> in this case shows that the proceeds of the foreclosure proceedings relate to all the properties mortgaged, and there were no

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<sup>36</sup> *Heirs of Cullado v. Gutierrez*, G.R. No. 212938, 30 July 2019.

<sup>37</sup> *Macutay v. Samoy*, G.R. No. 205559, 02 December 2020.

<sup>38</sup> *Rollo*, p. 82.

<sup>39</sup> *Strong Fort Warehousing Corp. v. Bantu*, G.R. Nos. 222369 & 222502, 16 November 2020.

<sup>40</sup> *Flores v Spouses Lindo, Jr.*, 664 Phil. 210 (2011).

<sup>41</sup> *United Overseas Bank of the Phils., Inc. v. Board of Commissioners-HLURB*, 761 Phil. 606 (2015).

<sup>42</sup> *Id.*

<sup>43</sup> *Records*, p. 478.

separate proceeds for the other five lots. Thus, as correctly ruled by the CA, with the nullity of the mortgage, the total proceeds of the foreclosure sale in the amount of ₱50,760.00 may no longer be credited in petitioners' favor.<sup>44</sup>

*The award of moral damages, exemplary damages, and attorney's fees are deleted*

We, however, delete the awards of moral damages, exemplary damages, and attorney's fees. The RTC failed to discuss in the body of the Decision, the factual and legal bases for such awards. Stating the amounts only in the dispositive portion of the judgment is not enough; a rendition of the factual and legal justifications for them must also be laid out in the body of the decision. Otherwise, the awards amount only to an *ipse dixit* on the part of the RTC.<sup>45</sup> While the awards of damages and attorney's fees were not assigned as errors, it may be corrected as a matter of law, in the absence of any legal factual basis of the award.<sup>46</sup>

*The rate of legal interest imposed must be modified*

On the application of interest, *Nacar v. Gallery Frames*<sup>47</sup> (*Nacar*) decrees that in the absence of express stipulation regarding the interest rate, the twelve percent (12%) interest rate per *annum* stated in *Eastern Shipping Lines v. Hon. Court of Appeals and Mercantile Insurance Company, Inc.*<sup>48</sup> applies until 30 June 2013. From 01 July 2013, the new interest rate of six percent (6%) per *annum* shall apply, pursuant to Bangko Sentral ng Pilipinas-Monetary Board Circular No. 799 as held in *Nacar*<sup>49</sup>.

Applying *Nacar*, the amount of ₱808,556.06 representing petitioners' unpaid obligations to DBP shall earn legal interest of twelve percent (12%) per *annum* from 02 July 1997<sup>50</sup> to 30 June 2013; and thereafter, at six percent (6%) per *annum* from 01 July 2013 until finality of the Court's ruling. Further, the total monetary award due to DBP shall earn legal interest at six percent (6%) per *annum* from finality of this Resolution until fully paid.

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<sup>44</sup> *Rollo*, p. 39.

<sup>45</sup> *University of the Philippines v. Dizon*, 693 Phil. 226 (2012).

<sup>46</sup> *Spouses Dela Cruz v. Planters Products, Inc.*, 704 Phil. 28 (2013).

<sup>47</sup> 716 Phil. 267 (2013).

<sup>48</sup> *See* 304 Phil. 236, 252-254 (1994).

<sup>49</sup> *Nacar v. Gallery Frames*, *supra*.

<sup>50</sup> *Records*, p. 1.

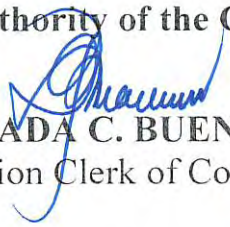
**WHEREFORE**, premises considered, the instant petition is **DENIED**. The assailed Decision dated 28 February 2012 and Resolution dated 04 July 2012 of the Court of Appeals in CA-G.R. CV No. 76818 are **AFFIRMED with MODIFICATION** as follows:

1. Ordering the permanency of the preliminary mandatory injunction directing the petitioners *Spouses Pedro and Juana Tabar*, their agents, representatives and all persons acting for and in behalf, to permanently vacate the land in question and peacefully deliver complete possession thereof to the respondents;
2. Ordering petitioners *Spouses Pedro and Juana Tabar* to render an accounting on the incomes derived from the land in question since 1989 to date and/or until they vacate the subject premises and to pay it to respondents;
3. Ordering petitioners *Spouses Pedro and Juana Tabar* to pay respondent Development Bank of the Philippines the amount of **EIGHT HUNDRED EIGHT THOUSAND FIVE HUNDRED FIFTY-SIX PESOS AND SIX CENTAVOS (₱808,556.06)**. This amount shall earn legal interest at the rate of twelve percent (12%) per *annum* from 02 July 1997 until 30 June 2013, and six percent (6%) per *annum* from 01 July 2013 up to the finality of this Resolution until fully paid. Petitioners shall further pay legal interest on the total monetary award at the rate of six percent (6%) per *annum* from finality of this Resolution until fully paid; and
4. Declaring null and void, insofar as the land in question is concerned, the following documents to wit; First, the Deed of Mortgage dated July 14, 1997 executed by the petitioner spouses in favor of DBP, Iligan City Branch, mortgaging the subject land; Second, the Extra-Judicial Foreclosure filed by respondent DBP foreclosing said Mortgage; Third, the Sheriff's Certificate of Sale dated November 21, 1980 selling at public auction the land in question to the DBP; Fourth, the Deed of Transfer dated September 19, 1991 executed by the DBP, transferring, assigning and conveying the subject land in favor of the Republic of the Philippines thru the Department of Agrarian Reform represented by the Provincial Agrarian Reform Officer of Lanao del Norte in the person of Mittaman Arumpac; Fifth, any subsequent transfers pertaining to all other properties subject of the foreclosure sale.

The award of moral damages, exemplary damages and attorney’s fees are deleted for lack of basis.

**SO ORDERED.”**

**By authority of the Court:**

  
**LIBRADA C. BUENA**  
Division Clerk of Court

by:

**MARIA TERESA B. SIBULO**  
Deputy Division Clerk of Court

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**AUG 09 2022**

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