SUPREME COURT
THIRD DIVISION

JOSE T. VELASQUEZ, JR., ROLANDO T. VELASQUEZ, REYNALDO T. VELASQUEZ, FORTUNATO T. VELASQUEZ, CEFERINO T. VELASQUEZ, VIRGINIA T. VELASQUEZ-MACUJA,
***Petitioners*,**

-versus-

G.R. No. 138480
March 25, 2004

THE COURT OF APPEALS and AYALA LAND, INC.,
***Respondents*.**
x----------x

AYALA LAND, INC.,
***Petitioners*,**

-versus-

G.R. No. 139449
March 25, 2004

JOSE T. VELASQUEZ, JR., ROLANDO T. VELASQUEZ, REYNALDO T. VELASQUEZ, FORTUNATO T. VELASQUEZ, CEFERINO T. VELASQUEZ, VIRGINIA T.

VELASQUEZ-MACUJA, and JOHN DOES,

Respondents.

x----------x

D E C I S I O N

CORONA, *J.*:

Before us are two consolidated Petitions: (1) G.R. No. 138480, a Petition for Review on Certiorari seeking to Nullify and Set Aside the Decision[1] of the Court of Appeals (CA) dated December 9, 1998 and its resolution dated April 30, 1999 denying petitioners' motion for reconsideration, and (2) G.R. No. 139449, a petition for indirect contempt filed by Ayala Land Inc. (ALI) against petitioners in G.R. No. 138480 (Velasquezes) in view of the publication in newspapers of general circulation of certain articles concerning the assailed CA decision, and the institution of an administrative case against CA Associate Justices Cancio C. Garcia, Conrado M. Vasquez, Jr. and Teodoro P. Regino.

Stripped of the non-essentials, the facts of the case follow.

Involved in the instant case is a tract of land situated in Las Piñas City, Metro Manila which was formerly owned by one Eduardo Guico way back in 1930 and for which he applied for land registration.

On August 3, 1953, the Acting Provincial Treasurer of Rizal placed the land in question on the auction block for non-payment of realty taxes from 1949 to 1953. Jose Velasquez, Sr., the late father of petitioners Velasquez, posted the highest bid and was thereafter issued a certificate of sale. Despite Guico's subsequent inability to redeem the property, however, the Provincial Treasurer refused to issue a final deed of sale to Velasquez Sr., prompting the latter to file suit to compel said official to issue it.

Meanwhile, pursuant to his application for registration of the land and the ensuing promulgation of a decree of registration, Original Certificate of Title (OCT) No. 1421 covering the subject property was issued in favor of applicant Guico. Thereafter, he (Guico) made several conveyances of the property to different buyers in whose names the corresponding Transfer Certificates of Title (TCTs) were issued successively. Alarmed, Velasquez, Sr. filed on November 18, 1958 a petition for review of the judgment and decree of registration, and praying for the cancellation of OCT No. 1421. It was docketed as Land Registration Case No. 976. He likewise caused to be annotated on one of the purchasers' titles a notice of lis pendens. Pending resolution of his petition, the land was sold to Interbank, a commercial bank then existing. A notice of lis pendens was annotated at the back of Interbank's title.

On September 24, 1986, the Regional Trial Court (RTC)[2] of Pasig rendered a partial decision on the petition for review of Velasquez, Sr., cancelling and setting aside Guico's OCT No. 1421 and all its subsequent TCTs. Interbank filed a motion for reconsideration but later entered into a compromise agreement with Velasquez, Sr. Interbank and Velasquez, Sr., to finally settle and forever lay to rest their conflicting claims over the subject property, then filed a joint motion for judgment on their compromise agreement wherein Velasquez, Sr., for valuable consideration, expressly acknowledged the validity and legality of Interbank's title to the property as well as that of subsequent purchasers like Goldenrod, Inc. and PAL Employees Savings and Loan Association (PESALA).[3] On December 12, 1986, the RTC of Pasig, after it found the recitals and contents of the compromise agreement not contrary to law, morals, public policy and order, approved the compromise agreement and rendered judgment which eventually attained finality.

On July 21, 1997, 32 years after the demise of their mother Loreto Tiongkiao, the children of Jose Velasquez, Sr., namely Jose T. Velasquez, Jr., Rolando T. Velasquez, Reynaldo T. Velasquez, Fortunato T. Velasquez, Ceferino T. Velasquez, and Virginia T. Velasquez-Macuja, filed a complaint for partition against ALI with the Regional Trial Court of Las Piñas City, docketed as Civil Case No. LP-97-0175. The Velasquez siblings argued that all the transactions entered into by their father, Velasquez, Sr., regarding the disputed

property could not adversely affect their ownership over their ½ undivided share therein. ALI, on the other hand, prayed for the dismissal of the complaint and interposed the following affirmative defenses: (a) that the trial court had no jurisdiction over the complaint; (b) plaintiffs had no cause of action; (c) the complaint was barred by prescription/laches and (d) ALI was an innocent purchaser for value.

On February 20, 1998, the RTC of Las Piñas[4] denied ALI's motion to dismiss. Aggrieved, ALI went up to the Court of Appeals which reversed the RTC orders and dismissed the complaint of the Velasquez siblings:

> All told, it is our view that the respondent judge, in denying petitioner's motion to dismiss on the basis of its affirmative defenses, decided certain questions of substance in a way not in accord with law or applicable jurisprudence. To us, he committed errors so egregious as to justify a charge of grave abuse of discretion, or of acting outside the bounds of his jurisdiction. His misguided attempt to trifle with the Torrens System is regrettable and ought to be stopped.
>
> WHEREFORE, the instant petition is hereby GRANTED. Accordingly, the public respondent's resolution dated February 20, 1998 and order dated June 24, 1998 are hereby ANNULLED and SET ASIDE and Civil Case No. LP-97-0175 DISMISSED.[5]

Hence, the instant petition raising the following errors:

> THE RESPONDENT COURT OF APPEALS UNLAWFULLY AND ILLEGALLY APPLIED THE PRINCIPLE ON LAND REGISTRATION THAT PRIVATE RESPONDENT ALI CAN BE CONSIDERED A BUYER IN GOOD FAITH OR AN INNOCENT PURCHASER FOR VALUE AS IT IS WITHOUT NOTICE OF DEFECT AT THE TIME OF THE PURCHASE OF THE LAND IN QUESTION.
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> THE RESPONDENT COURT OF APPEALS HAS UNLAWFULLY AND ILLEGALLY BRUSHED ASIDE THE ADVERSE CLAIM INSCRIBED BY VELASQUEZ, SR. ON THE

> TITLE OF PESALA, STATING THAT THE ADVERSE CLAIM DOES NOT MAKE SUCH CLAIM VALID, NOR IS IT PERMANENT IN CHARACTER.
>
> THE RESPONDENT COURT OF APPEALS PATENTLY MISAPPRECIATED THE LEGAL EFFECTS OF THE ADVERSE CLAIM OF VELASQUEZ, SR. WHICH CLAIM SHOULD HAVE REDOWNED (SIC) TO THE BENEFIT OF PETITIONERS.
>
> THE RESPONDENT COURT OF APPEALS MISINTERPRETED THE LEGAL EFFECTS OF THE ACTS OF VELASQUEZ, SR. "AS HAVING REPUDIATED OR ABANDONED HIS ADVERSE CLAIM UPON THE EXECUTION OF THE COMPROMISE AGREEMENT."

On August 12, 1999, ALI filed with this Court a petition to cite the Velasquez siblings for indirect contempt for instituting administrative proceedings against Court of Appeals Justices Cancio C. Garcia, Conrado M. Vasquez, Jr. and Teodoro P. Regino even before G.R. No. 138480 had been resolved with finality, and for causing the publication of the controversy in the newspapers.

On April 16, 2001, G.R. Nos. 138480 and 139449 were consolidated.

At the outset, the jurisdiction of this Court in cases brought to it from the Court of Appeals is limited to the review and revision of errors of law allegedly committed by the appellate court, as its findings of fact are generally deemed conclusive. The Court is not bound to analyze and weigh all over again the evidence already considered in the proceedings below.[6] The paramount question of whether ALI was a buyer in good faith or an innocent purchaser for value is no doubt a question of fact on which the Court of Appeals has already made its findings:

> Concededly, inscription of an adverse claim serves as a warning to third parties dealing with a piece of real property that someone is claiming an interest thereon or a superior right than that of the titled owner (Sanchez vs. Court of Appeals, 69 SCRA 327). It ought to be kept in mind, however, that the inscription of an adverse claim does not make such claim valid, nor is it

> permanent in character (Garbin vs. Court of Appeals, 253 SCRA 188). Similarly, it ought to be borne in mind, too, that in the present case, what was annotated on PESALA's title consisted merely of the adverse claim of Velasquez, Sr. alone. Undeniably, no adverse claim at the instance of any of the herein private respondents appeared on PESALA'S title even as Loreto Tiongkiao – from whom private respondents trace their successional claim to the subject land – had been dead long before PESALA acquired the property. In a very real sense, therefore, ALI had no notice of private respondents' claim as to reduce both, at least insofar as both are concerned into the category of buyers in bad faith. Hence, private respondents cannot invoke whatever legal effects may have sprung from such annotation.
>
> Moreover, it must be stressed herein that at the time ALI purchased the property on April 6, 1988, the adverse claim of Velasquez, Sr. had for all intents and purposes been cancelled, or at least had already lost force and effect. For, at that time, the judgment based on the Velasquez, Sr. – Interbank compromise agreement (Annex "E", Petition), was already in effect, rendered as it were on December 12, 1986. By his single act of entering into a compromise agreement, Velasquez, Sr. may be said to have repudiated and abandoned any and all adverse claims on the property in question, whoever was in possession thereof under claim of ownership.
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> x x x

Petitioner certainly had every reason to expect and believe that Velasquez, Sr. had authority to enter into the compromise agreement and that all interests he represented in such agreement were not prejudiced, approved as the agreement was by the very same court which earlier pronounced him, via a partial decision dated September 24, 1986, supra, as entitled to the property in question. Needless to state, the judgment by compromise rendered on December 12, 1986 (Annex "E", Petition; Rollo, pp.110-112), worked to supersede the said partial decision and may be said to have dismissed Velasquez, Sr.'s petition for review and denied his prayers thereon, foremost of which

prayers was the nullification of Guico's OCT No. 1421 and all titles descending therefrom.[7]

We agree with the decision of the Court of Appeals. In an action for cancellation of title, the complaint must allege that the purchaser was aware of the defects in his title. In the absence of such an allegation and proof of bad faith, it would be impossible for the court to render a valid judgment against the purchaser who has already acquired title, due to the indefeasibility and conclusiveness of his title.[8] It is a fundamental principle in land registration that a certificate of title serves as evidence of an indefeasible and incontrovertible title to the property in favor of the person whose name appears therein.[9] Even if the procurement of a certificate of title is tainted with fraud and misrepresentation, such defective title may be the source of a completely legal and valid title in the hands of an innocent purchaser for value.[10]

Velasquez, Sr. surrendered and relinquished in favor of Interbank and all subsequent purchasers all his rights over the property when he executed the compromise agreement with Interbank. In the agreement, as approved by the trial court, Velasquez, Sr. indubitably acknowledged the legality and validity, and recognized the full transmission, of the ownership and title of Interbank and its transferees who were all innocent purchasers for value.

Once a compromise agreement is stamped with judicial approval, it becomes more than a mere contract binding upon the parties. Having been vested with the sanction of the court and entered as its determination of the controversy, it has the force and effect of any other judgment.[11] It is immediately executory and not appealable.[12] It has the force of res judicata between the parties and should not be disturbed except for vices of consent or forgery.[13]

Furthermore, material facts or questions in issue in a former action and were there admitted or judicially determined become conclusively settled by a judgment on a compromise agreement. The issues thus become res judicata and may not be litigated again in a subsequent action between the same parties or their privies.[14] Notably, Loreto Tiongkiao, petitioners' mother, died in 1965 or 21 years before the compromise agreement in 1986. And petitioners

themselves claim that the petition earlier filed by their father Velasquez, Sr. was initiated for the protection of their interests as well. In fact, in the memorandum they filed in the trial court, they claimed that:

> The argument of defendant in Par. 6.3 of its Memorandum that Jose T. Velasquez, Sr. never had the authority to bind the plaintiffs in the petition for review is not only ridiculous but also short-minded theory and self-centered argument. x x x Since there was as yet no physical partition of the subject property, separating their aliquot shares, it cannot be validly argued that plaintiffs' interest therein were (sic) not included in the petition for review filed by their father. x x x[15] (Emphasis supplied)

With respect to the alleged co-ownership between petitioners and ALI, we concur with the conclusions of the Court of Appeals:

> The actuality of an existing co-ownership between petitioner and the private respondents can only be contextually posited under a scenario where the former traces its claimed ownership from Jose Velasquez, Sr. Private respondents put things in proper perspective with the ensuing allegation in their complaint: "That since the demise of the plaintiffs' mother Loreto Tiongkiao they by operation of law have been the co-owner of their father Jose T. Velasquez, Sr." The hard reality, however, is that petitioner, unlike the private respondents, did not derive its title from Velasquez, Sr., which is equivalent to saying that it did not step into the shoes of the elder Velasquez insofar as the property in question is concerned. In fine, Velasquez, Sr. did not form part of the chain whence petitioner sourced its right and title to such property. In the ultimate analysis, petitioner derived its title from Guico whose interest on the property is very much opposed to that of Velasquez, Sr.
>
> It may well be that the Guico Decree was improperly issued. It may also be that Guico's OCT No. 1421 may had (sic) been infected. Nonetheless, titles descending from such purchaser for value, like the petitioner, by fiction of law perfect and indefeasible after the passage of time. In such situation, the

> sole remedy of the landowner whose property may have been erroneously registered in another's name – after one (1) year from the date of the decree- is not to set aside the decree or seek petition, but, respecting the decree as incontrovertible, to bring an action for damages (Ching vs. Court of Appeals, 181 SCRA 9, and case cited therein).

There should be no question that the contemplated action for partition can plausibly succeed only when the Guico Decree and the titles derived therefrom, not to mention the judgment by compromise, shall have been cancelled and set aside. Unless and until that eventuality happens, going full steam ahead with the action for partition while the presumptively valid decree and the derivative titles subsist, as the respondent judge is wont to do, would be to subvert the Torrens system, the real purpose of which is to quiet title to land and to stop forever any question as to its legality (National Grains Authority vs. IAC, 157 SCRA 380, cited in Ching vs. CA, supra). And any suggestion that the court a quo can order the setting aside of the Guico Decree and/or the cancellation of petitioner's titles and/or the judgment by compromise in LRC No. 976 as mere incidents in the action for partition in Civil Case No. KP-97-0175 is absolutely unacceptable.

The Court of Appeals expounded in detail on the issue of co-ownership. Its analysis was precise and thorough. It painstakingly studied and reviewed the facts of the case as well as the evidence proffered by the parties.

Finally, we note the Velasquez siblings' long and deafening silence for 32 years which has remained unexplained to this date. It certainly invites, to say the least, a nagging suspicion as to their motive in filing the suit for partition.

We thus find no ground to reverse or even modify the factual findings of the Court of Appeals. Questions that may be entertained in a petition for certiorari under Rule 45 of the Revised Rules of Court must not involve an examination of the probative value of the evidence presented by the litigants.[16] We find no misapprehension of facts nor contradictions in the evidence on record. Such being the

case, the CA's factual findings become conclusive and binding on this Court.

We however, dismiss ALI's petition for indirect contempt in G.R. No. 139449. We are willing to assume that the petitioners Velasquez acted in good faith when they filed the administrative complaint against the three Court of Appeals Justices. Moreover, there appears to be no evidence showing that it was the petitioners Velasquez who caused the publication of the said administrative proceedings in connection with the subject matter in G.R. No. 138480.

However, while the Court recognizes the rights of litigants to criticize judges or justices in the performance of their functions, under no circumstances may a litigant or counsel be allowed to engage the Court in interminable squabbling about the correctness of its orders and dispositions. The refusal of a party to concede defeat, manifested by unceasing attempts to prolong the final disposition of cases, obstructs the administration of justice and therefore constitutes contempt of court.[17]

In the case at bar, the power of contempt, being a drastic and extraordinary remedy, should not be exercised unless clearly necessary in the interest of justice.[18]

WHEREFORE, the petition in G.R. No. 138480 is **DENIED** and the decision of the Court of Appeals dated December 9, 1998 is hereby affirmed in toto. The petition in G.R. No. 139449 is hereby **DISMISSED** for lack of merit.

SO ORDERED.

Sandoval-Gutierrez, *J.*, *(Acting Chair)*, and Carpio-Morales, *JJ.*, concur.
Vitug, *(Chairman), J.*, on official business leave.

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[1] Penned by then Associate Justice Cancio C. Garcia (now Presiding Justice) and concurred in by Associate Justices Conrado M. Vasquez, Jr. and Teodoro P. Regino of the Eighth Division.
[2] Branch 167, Judge Nicolas P. Lapena, Jr. presiding.

[3] Goldenrod, Inc. acquired the property from Interbank and the title issued pursuant thereto was devoid of inscription of any notice of lis pendens. Goldenrod later sold the property to PESALA. Likewise, the title did not contain any notice of lis pendens but contained the adverse claim of Velasquez, Sr. PESALA then sold the property to ALI.
[4] Branch 253, Judge Jose F. Caoibes, Jr. presiding.
[5] Rollo, p. 102.
[6] Republic vs. Court of Appeals, 349 SCRA 451 [2001].
[7] Rollo, pp. 92-94.
[8] Chu, Sr. vs. Benelda Estate, 353 SCRA 424 [2001].
[9] Vda. De Retuerto vs. Barz, 372 SCRA 712 [2001].
[10] Cabuhat vs. CA, 366 SCRA 176 [2001].
[11] Domingo vs. Court of Appeals, 255 SCRA 189 [2001].
[12] Thermphil, Inc. vs. Court of Appeals, 369 SCRA 682 [2001].
[13] Magat vs. Delizo, 360 SCRA 508 [2001].
[14] Avisado vs. Rumbua, 354 SCRA 245 [2001].
[15] Memorandum, November 27, 1997, p. 5.
[16] Western Shipyards Services, Inc. vs. Court of Appeals, 358 SCRA 257 [2001].
[17] Ortigas and Company Limited Partnership vs. Velasco, 254 SCRA 239 [1996].
[18] Paredes-Garcia vs. Court of Appeals, 261 SCRA 693 [1996].