

READ NO EVIL, SEE NO EVIL: The 2-Year Lien in Inherited Properties

Upon inheriting property in the Philippines, an annotation of a 2-year lien on the new title to be issued to the heirs is required. The purpose of this encumbrance is to give a prejudiced heir or creditor a chance to contest the partition. It is only upon the expiration of the 2-year period that the lien can be removed.

The 2-year lien is important because its presence in a certificate of title is usually enough for a buyer to second-guess a sale, or for a bank to refuse to accept a property as collateral for a loan.

What happens then when a buyer proceeds with the transaction in spite of the annotation – and during the effectivity – of the 2-year lien? Can the buyer raise the defense that in all actuality he absolutely has no knowledge of any fraud that may have been committed by the seller?

The Supreme Court has answered this in the negative.

Cesar and Lilia were spouses with five children. When Cesar died, Reynaldo – a nephew of Lilia – executed an affidavit of self-adjudication over Cesar's property pretending to be the sole heir. After Reynaldo was able to get the property titled in his name in 1993, he immediately sold it to Domingo. The certificate of title carried the usual 2-year lien annotation.

During the same year, the five children discovered the fraudulent act and filed a case against Domingo for reconveyance of the property. Domingo argued that he was an innocent purchaser for value, meaning, he knew nothing about Reynaldo's deceitful acts and for all intents and purposes, believed that he bought it from the true owner.

The Supreme Court ruled that Domingo cannot claim good faith because the title itself revealed that it was subject to a 2-year lien. He *should* have been prompted to look beyond the certificate of title. Otherwise stated, the annotation of the 2-year lien is a circumstance that *should* naturally arouse suspicion from the buyer.

Considering that the 2-year period had not yet lapsed when Domingo bought the property and that he did nothing to further investigate, he cannot be considered an innocent purchaser...as his "innocence" was clearly *tainted* with information that something may have been amiss. Consequently, Domingo must return the property to the heirs.

While the annotation might seem troublesome to heirs and to any potential buyers/mortgagees at first, we can see that this is the price paid to safeguard against unscrupulous individuals like Reynaldo.

It is a *necessary evil* that all inherited properties must go through for the whole of 730 days.

(Based on G.R. No. 147468, April 9, 2003)