

06 February 2018

Philippine Stock Exchange, Inc.

3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City

Attention: **Mr. Jose Valeriano B. Zuño III**
OIC Head, Disclosure Department

Dear Sir,

We respond to your letter seeking clarification/and or confirmation on the news article entitled “Its final: Ayala Land loses Las Pinas golf course” published in the February 5, 2018 issue of The Manila Times (Internet Edition). The article reported in part that:

“THE Supreme Court (SC) has affirmed with finality its earlier decision to void Ayala Land Inc.’s (ALI) title over a 49-hectare golf course in its Southvale development in Las Piñas City.

In a resolution dated December 4, 2017, but released just recently, the high court denied ALI’s motion for reconsideration of its decision dated July 26, 2017.

. . . .”

We wish to advise that Ayala Land Inc. (ALI) is aware of the ruling of the Supreme Court (2nd Division). The consolidated cases cover parcels of land located in Las Piñas City with a total area of around 46 hectares. We do not see the decision to have any material effect on our financial conditions and operations given our current land bank of 9,852 hectares.

However, the Supreme Court decision dated July 26, 2017 may have adverse repercussions on the application in our country of the Torrens system, which is meant to simplify and facilitate real estate transactions. The decision declared as “void ab initio” “OCT [Original Certificates of Title] Nos. 242, 244, and 1609, their transfer certificates, and instruments of conveyances that relied on” the survey plans that the Supreme Court found to have “blatant defects.” Two of the three OCTs were issued in 1950 (OCT No. 242 and No. 244) and one was issued in 1958 (OCT No. 1609) pursuant to final judgments rendered by branches of the Court of First Instance of Rizal (CFI, now the Regional Trial Court), acting as land registration courts, which admitted the survey plans 60 years ago. We will continue to exhaust legal remedies because we believe that preserving the Torrens system is important to the real estate industry.

When we acquired the subject properties, we relied on the principle that “One who deals with property registered under the Torrens system need not go beyond the certificate of title, but only has to rely on the certificate of title.”¹ We did not see in the certificates of title of our sellers the “blatant defects on the survey.”

¹ Justice Antonio T. Carpio in Galido vs. Magrara, G.R. No. 206584, January 11, 2016

Even the land registration courts, which saw the survey plans and admitted them much earlier, more than 40 years before we acquired the properties, did not see the “blatant defects” that the Supreme Court has found.

In fact, a Supreme Court decision rendered on September 28, 1987, in *Realty Sales Enterprise Inc. vs. Intermediate Appellate Court*, provided us assurance of the strength of OCT No. 1609, from which our TCT No. 41325 originated. The Supreme Court ruled that a TCT “derived from OCT 1609,” which was issued May 21, 1958, was “superior” to another TCT “derived from” OCTs which were issued after OCT 1609. The Supreme Court stated: *“In this jurisdiction, it is settled that ‘(t)he general rule is that in the case of two certificates of title, purporting to include the same land, the earlier in date prevails.”*

The adequacy of the inquiry that we conducted when we acquired the parcels of land referred to in the news article was validated by the Supreme Court in its decision on February 3, 2010, in *Spouses Carpo vs. ALI*, which upheld as valid OCT No. 242 and our TCT No. 41262, which came from OCT No. 242. The Supreme Court stated:

*“...the land registration court must be assumed to have carefully ascertained the propriety of issuing a decree in favor of ALI’s predecessor-in-interest.... The court upon which the law has conferred jurisdiction is deemed to have all the necessary powers to exercise such jurisdiction, and to have exercised it effectively. This is as it should be, because once a decree of registration is made under the Torrens system, and the time has passed within which that decree may be questioned **the title is perfect and cannot later on be questioned.** There would be no end to litigation if every litigant could, by repeated actions, compel a court to review a decree previously issued by another court forty-five (45) years ago. The very purpose of the Torrens system would be destroyed if the same land may be subsequently brought under a second action for registration....”*

The Supreme Court further stated:

*“A party dealing with a registered land **need not go beyond the Certificate of Title to determine the true owner thereof so as to guard or protect his or her interest.** Hence, ALI was not required to go beyond what appeared in the transfer certificate of title in the name of its **immediate transferor.** It may rely solely, as it did, on the correctness of the certificate of title issued for the subject property and **the law will in no way oblige it to go behind the certificate of title to determine the condition of the property.** This is the fundamental nature of the Torrens System of land registration, to give the public the right to rely upon the face of a Torrens certificate of title and to dispense with the need of inquiring further.”*

We hope we have adequately clarified the news article.

Thank you.

Very truly yours,



SOLOMON M. HERMOSURA
Group General Counsel and Corporate Secretary

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Attention: **Ms. Vina Vanessa S. Salonga**
Head, Issuer Compliance and Disclosures Department

Securities and Exchange Commission
SEC Building, Mandaluyong City

Attention: **Hon. Vicente Graciano P. Felizmenio, Jr.**
Director, Market Regulation Department