

Title: Jayme Family vs. Court of Appeals and Respondents: A Case of Property Mortgage and Contestation

Facts:

The case revolves around the Jayme family, owners of a lot in Mandaue City, Cebu, Philippines, which was leased and subsequently mortgaged to Cebu Asiancars Inc., represented by George Neri, for a loan with the Metropolitan Bank and Trust Company (MBTC). Initially, a part of the said lot was leased to Asiancars in 1973 for 20 years, with a condition that any construction by Asiancars on the leased property would automatically transfer to the Jayme family upon lease termination or voluntary surrender. A subsequent loan obtained by Asiancars from MBTC saw the entire lot mortgaged to secure the loan. The deed of mortgage was signed by the Jayme spouses, allegedly under the impression they were merely acting as guarantors and not understanding the full extent of the transaction due to illiteracy. Eventual financial difficulties led Asiancars to transfer ownership of the constructions (by way of “dacion en pago”) to MBTC as partial loan payment, resulting in an outstanding balance that led to the extrajudicial foreclosure and sale of the mortgaged property by MBTC.

The heirs of the late Graciano Jayme filed a civil complaint for the annulment of the mortgage contract and damages. The Regional Trial Court decided in favor of validating the mortgage and foreclosure, among other rulings, which was appealed by both parties to the Court of Appeals. The Court of Appeals affirmed the RTC’s decision with modifications favoring both restitution for the Jayme family and retention of the property by MBTC. A motion for reconsideration by the petitioners was denied, prompting this appeal to the Supreme Court.

Issues:

1. Whether or not the Real Estate Mortgage should be annulled on the grounds of vitiated consent.
2. Whether or not the “dacion en pago” executed by Asiancars in favor of MBTC is valid and binding despite the stipulation in the lease contract.

Court’s Decision:

The Supreme Court affirmed the decision of the Court of Appeals with modifications. The Court held that the mortgage and subsequent foreclosure by MBTC were valid, as the consent of the Jayme family, while disputably obtained, did not sufficiently prove fraudulence or mistake to annul the transaction. It was also determined that, since the

mortgage deed was a notarized document, it bore the presumption of regularity. The “dacion en pago” was also upheld, providing a form of restitution to the Jayme family through mandated rental payments by MBTC for the use of the lot, computed from the time of ownership transfer until the foreclosure sale’s registration, and the awarding of damages to the Jayme family for the breach of contract by Asiancars.

Doctrine:

1. Third Party Mortgage: Allows properties owned by third parties, who are not direct parties to a principal obligation, to be used as security for that obligation.
2. “Dacion en Pago”: Recognized as a valid method of extinguishing an obligation, where property is offered and accepted as an equivalent performance of a monetary debt.

Class Notes:

- Notarized documents carry a presumption of regularity and legality that require clear, convincing, and more than merely preponderant evidence to dispute.
- In third-party mortgages, the consent of the mortgagor, if validly obtained, makes the property directly and jointly liable for the fulfillment of the principal obligation, even if the mortgagor is not directly party to the principal obligation.
- “Dacion en pago” or payment in kind is a special mode of payment where a debtor offers another thing to the creditor, who accepts it as equivalent of payment of an outstanding debt, thereby extinguishing the obligation.

Historical Background:

The backdrop of this case includes dynamics of trust and contractual agreements under Philippine property law, elucidating on third-party obligations and the repercussions of agreements entered under false pretenses or misunderstanding by part of the contractually bound parties. The case underscores the importance of literacy and understanding in contractual agreements, especially involving notarized documents and mortgages, as well as the legal reflexes available for transactions perceived as unjust.