

**\*\*Title: Sps. Solitarios vs. Sps. Jaque: A Case of Equitable Mortgage Masquerading as Absolute Sale\*\***

**\*\*Facts:\*\***

The dispute revolves around a 40,608 square meter agricultural land in Calbayog, Samar, initially registered under Felipe Solitarios and later transferred to Gaston and Lilia Jaque. The Jaques claimed to have purchased the land in stages, culminating in a Deed of Sale for the entire lot to evade higher taxes, registering the land under their name despite allowing the Solitarios to reside on and benefit from the land due to a feeling of pity. This arrangement soured when the Solitarios ceased delivering produce and claimed ownership, prompting the Jaques to file a complaint for ownership and recovery of possession with the RTC of Calbayog City.

The Solitarios countered, denying the sale and asserting that the land was only mortgaged to the Jaques after they assisted in redeeming it from the Philippine National Bank (PNB). The Solitarios claimed the deeds of sale were fictitious, their signatures forged, and that the transfer of title was achieved through fraudulent means.

The RTC initially declared the deeds of sale valid but eventually determined the transactions to constitute an equitable mortgage, ordering the cancellation of the Jaques' TCT and declaring the mortgage fully paid. The CA reversed this, finding the Solitarios' assertions insufficient to overturn the deeds' legitimacy.

**\*\*Issues:\*\***

1. Whether the transactions between the parties constituted an absolute sale or an equitable mortgage.
2. The authenticity and validity of the signatures on the Deeds of Sale.
3. Whether the transaction falls within the scope of an equitable mortgage under Articles 1602 and 1604 of the New Civil Code.

**\*\*Court's Decision:\*\***

The Supreme Court granted the petition, siding with the Solitarios by setting aside the CA's decision and reinstating the RTC's verdict, albeit with modifications. The Supreme Court found substantial evidence suggesting the transactions were intended as an equitable mortgage, not an absolute sale. Key findings included the Solitarios' continued possession of the property, the inadequate price stated in the deed relative to the property's value, and the repayment terms agreed upon by the parties. The Court deemed the transfer of the

property as an attempt at a pactum commissorium, a prohibited practice, thus nullifying the TCT under the Jaques' name and declaring the mortgage fully paid.

**\*\*Doctrine:\*\***

The decisive factor in distinguishing between a sale and an equitable mortgage is the parties' intention, assessed not just by contract terms but by their actions and the circumstances around the contract's execution. A contract may be presumed an equitable mortgage under specific conditions delineated in Articles 1602 and 1604 of the New Civil Code.

**\*\*Class Notes:\*\***

1. **\*\*Equitable Mortgage vs. Absolute Sale:\*\*** An equitable mortgage is characterized by the lender's retention of physical possession of the property, with the transaction intended to secure a loan, not transfer property ownership.
2. **\*\*Pactum Commissorium:\*\*** Refers to the illegal practice where, upon the debtor's default, the creditor acquires ownership of the mortgaged property without the need for foreclosure. This is expressly prohibited under Article 2088 of the Civil Code.
3. **\*\*Articles 1602 and 1604, New Civil Code:\*\*** Lay down the presumptions for a contract to be deemed an equitable mortgage, focusing on protecting the less privileged party in a transaction from being exploited due to their urgent needs or lower educational understanding.

**\*\*Historical Context:\*\***

This case exemplifies the Philippine legal system's protective stance towards the underprivileged, ensuring they are not unduly taken advantage of in transactions masked as sales but are, in truth, securities for loans. It underscores the importance of scrutinizing the parties' intention beyond the written contracts to uphold justice and equity.