

Title:

Rayos v. Reyes: A Review on Sale with Right to Repurchase and Equitable Mortgage

Facts:

In September 1957, Spouses Francisco and Asuncion Tazal sold three unregistered parcels of land situated in Brgy. Sapa, Burgos, Pangasinan, covering approximately 130,947 square meters to Mamerto Reyes for ₱724.00, with a right to repurchase within two years. Reyes took possession and paid the land taxes. However, before exercising the repurchase right, Francisco Tazal sold two of the parcels to Blas Rayos in December 1958. Upon the redemption period's expiration in 1959, Tazal attempted to repurchase the properties, claiming the transaction was an equitable mortgage.

Francisco Tazal initiated a complaint against Reyes in 1960 (Civil Case No. A-245), seeking declaration of the transaction as an equitable mortgage and for reconveyance of the properties. While this case was pending, the Tazal spouses and Blas Rayos sold the parcels to the petitioner-spouses Teofilo and Simeona Rayos in 1961.

In 1963, the trial court ruled the transaction was a true sale with right to repurchase, not an equitable mortgage but allowed Tazal to redeem the lands within 30 days from the finality of the judgment. Reyes appealed to the Supreme Court without resolution due to the parties' lack of interest, and the judgment became final in 1990. The Rayos family, believing the consignation perfected the repurchase, took no further action until Reyes's heirs, the respondents, registered the original sale and filed a complaint (Civil Case No. A-2032) in 1993 for recovery of the properties.

Issues:

1. Whether the 1957 transaction was an equitable mortgage or a sale with the right to repurchase.
2. If the consignation of ₱724.00 by Tazal effectively redeemed the properties.
3. The validity of the sales to Blas Rayos and subsequently to petitioner-spouses.
4. Application of the doctrines of estoppel and laches against the respondents.
5. Whether the petitioner-spouses were buyers in good faith and for value.
6. The entitlement of the respondents to damages.

Court's Decision:

1. The Supreme Court upheld the transaction as a sale with the right to repurchase, not an

equitable mortgage.

2. The consignment of ₱724.00 was deemed ineffective due to non-compliance with requisites for a valid consignment, thus failing to redeem the properties.
3. The sales to Blas Rayos and the petitioner-spouses were void for not being originated from true ownership since the redemption period lapsed without proper exercise.
4. The Court rejected the application of estoppel and laches against the respondents.
5. The petitioner-spouses were not considered buyers in good faith and for value, primarily because good faith is relevant only for registered land transactions.
6. Damages awarded by the lower courts were set aside due to a lack of evidence.

Doctrine:

The decision clarified the distinction between a sale with the right to repurchase and an equitable mortgage. It also detailed the necessary steps for a valid consignment and how failure to meet these requirements affects subsequent transactions.

Class Notes:

1. **Equitable Mortgage vs. Sale with Right to Repurchase**: An equitable mortgage is characterized by a lender-lendee relationship, whereas a sale with right to repurchase transfers ownership with a conditional option to return ownership to the seller.
2. **Consignment**: Effective consignment requires (a) a debt due, (b) a valid tender of payment refused by the creditor, (c) previous notice of consignment, (d) deposit of the amount due in court, and (e) notification of the consignment.
3. **Estoppel and Laches**: These doctrines prevent parties from going back on their word or failing to act within a reasonable time, respectively, but are applied cautiously and contextually by courts.
4. **Good Faith in Land Transactions**: The presumption of good faith applies distinctly in cases involving registered and unregistered lands, with purchasers of unregistered lands buying at their risk.

Historical Background:

This case reflects the complexities of land transactions, particularly concerning unregistered lands in the Philippines, and highlights the legal challenges arising from overlapping transactions, redemption rights, and the importance of adhering to procedural requisites for consignment and repurchase.