

****Title:** Francisco A. Tongoy, et al. vs. The Honorable Court of Appeals, et al.**

****Facts:****

The case revolves around two parcels of land in Bacolod City, known as Hacienda Pulo and Cuaycong property, originally owned by members of the Tongoy family and Basilisa Cuaycong, respectively. The litigation began when the descendants of Luis D. Tongoy were sued for reconveyance by their relatives, who alleged that the lands were transferred to Luis D. Tongoy under a trust agreement to prevent foreclosure by the Philippine National Bank (PNB) and claimed these transfers were simulated, intending that the properties be returned once the mortgage obligations were settled.

Luis D. Tongoy managed to restructure the mortgage, avoiding foreclosure, and had the title to both properties transferred to his name under the guise of sales from co-owners and family members. All obligations to PNB were settled by April 1956, but a release of mortgage was only executed in 1958. Luis D. Tongoy maintained control over the properties until his death in 1966, after which the case for reconveyance was filed by the plaintiffs.

****Issues:****

1. Whether there was a trust constituted on Hacienda Pulo.
2. Whether the purchase price for the Cuaycong property was paid by Jose Tongoy and that said property was also covered by a trust in favor of respondents.
3. Whether respondents' rights have prescribed, or are barred by laches, assuming the existence of an implied trust.
4. Whether the respondents Tongoy are the legitimated children of Francisco Tongoy.
5. If assuming they are legitimated, whether their action against petitioners has prescribed.
6. Whether the court erred in ordering petitioners to pay attorney's fees of P20,000.00.
7. Whether execution pending appeal in favor of respondents Tongoys was justified.

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

The Supreme Court affirmed the decision of the Court of Appeals which found:

1. The existence of an implied trust for both contested properties, created by simulated sales to avoid foreclosure.
2. The application of prescription does not bar the respondents' right to reconveyance because the action or defense for the declaration of the inexistence of a contract (due to

absolute simulation) does not prescribe.

3. The respondents Tongoy, being continuously treated as children of Francisco Tongoy, were considered acknowledged and effectively legitimated by the subsequent marriage of their parents, making them entitled to their hereditary rights.

4. The award of attorney's fees was justified due to the unnecessary compulsion for the respondents to litigate to enforce their rights.

5. The execution pending appeal was justified due to the circumstances of the case.

****Doctrine:****

1. Contracts which are absolutely simulated or fictitious are void from the beginning, and the action for the declaration of their inexistence does not prescribe (Art. 1409, Art. 1410, New Civil Code).

2. An implied or constructive trust created by fictitious or simulated transactions is not subject to prescription.

3. Estoppel may prevent parties from attacking the status of children as acknowledged or legitimated when they have been treated as such by the family.

****Class Notes:****

- Characteristics of inexistent or absolutely simulated contracts include their non-susceptibility to ratification, indefeasibility, and imprescriptibility of actions for their declaration.

- In matters of succession, actions among co-heirs for partition or to assert hereditary rights do not prescribe under the Spanish Civil Code.

- The legal principle of estoppel can apply in cases of disputed acknowledgment or legitimation of children when they have been consistently treated in accordance with such status.

- Prescription of actions for reconveyance based on implied trusts should be counted from the moment the beneficiaries had reason to believe that the obligation to reconvey was disregarded.

****Historical Background:****

This case reflects the complex interplay of family relations, property rights, and legal principles governing trusts and prescription in the Philippines. It underscores the judiciary's role in adjudicating property disputes and the importance of the factual matrix in applying legal doctrines, especially in cases involving familial arrangements and property succession.