

Title: Heirs of Jose Reyes, Jr. vs. Amanda S. Reyes, et al.

Facts:

This case stems from a property dispute involving a parcel of residential land in Pulilan, Bulacan, owned by Antonio Reyes and Leoncia Mag-isa Reyes, who had four children: Jose Reyes, Sr., Teofilo Reyes, Jose Reyes, Jr., and Potenciana Reyes-Valenzuela. After Antonio's death, the property was sold to Spouses Francia under a Kasulatan ng Biling Mabibiling Muli, with a right to repurchase, which was not exercised by Leoncia and her sons. The Francias also died intestate, and their heirs conveyed all rights to the property to Alejandro Reyes, son of Jose Sr., through a deed titled Pagsasa-ayos ng Pag-aari at Pagsasalin. Alejandro later declared himself the owner of the property in a Kasulatan ng Pagmeme-ari. Subsequent to Alejandro's acknowledgment of the original owners' right to repurchase the property, Alejandro died, leaving his heirs (respondents) who demanded the children of Teofilo and Jose Jr. (petitioners) to vacate the property.

The Regional Trial Court (RTC) ruled in favor of Amanda Reyes and her co-respondents, finding that Alejandro legally acquired the property when the original owners failed to repurchase it. The Court of Appeals (CA) affirmed this decision but recognized the transaction as an equitable mortgage and not a pacto de retro sale. However, they agreed with the RTC that Alejandro's heirs were barred from claiming the property since the action for reformation was not filed within ten years from the execution of the Kasulatan ng Biling Mabibiling Muli.

Issues:

1. Whether the Court of Appeals erred in upholding that the respondents were barred from claiming the transaction as an equitable mortgage due to the lapse of ten years.
2. Whether the Court of Appeals erred in affirming the trial court's finding that the Magkasanib na Salaysay, granting the right to repurchase at any time, was legally ineffective.

Court's Decision:

The Supreme Court ruled in favor of the petitioners, holding that:

1. The true transaction between the parties was an equitable mortgage, indicated by the continuous possession of the property by the original owners and the payment of realty taxes under Leoncia's name.
2. The ten-year prescriptive period did not bar the petitioners from insisting their rights under the equitable mortgage, reasoning that both parties failed to enforce their respective

rights within the prescriptive period, leading to fairness in neglecting the prescription.

3. The Magkasanib na Salaysay extended the redemption period, which was permissible under the law for equitable mortgages, thereby allowing the original owners' heirs to redeem the property.

4. Alejandro Reyes and his heirs could not acquire ownership through adverse possession since the unanimous elements for such possession were not met.

Doctrine:

This case reaffirms the doctrine that the presence of any of the conditions enumerated under Article 1602 of the Civil Code, not the concurrence or majority thereof, presumes the contract to be an equitable mortgage. It also highlights that an action for reformation of instrument is unnecessary when both parties abide by their true agreement, treating it consistently as an equitable mortgage.

Class Notes:

- Equitable Mortgage: Identified through possession by the vendor, payment of realty taxes by the vendor, and the stipulation of the right to redeem.
- Prescription in Equitable Mortgage: The ten-year prescriptive period for enforcing rights under an equitable mortgage can be overlooked for fairness when both parties do not enforce their rights.
- Repudiation of Co-Ownership: Requires clear, unequivocal acts known to the co-owners and must result in exclusive, open, continuous, and notorious possession.
- Pactum Commissorium: The prohibition against the creditor appropriating the mortgaged property or disposing of them is reiterated, emphasizing protections against unfair practices in mortgage dealings.

Historical Background:

This case serves as a critical analysis of the traditional use and misunderstanding of the Kasulatan ng Biling Mabibiling Muli in the Philippine real estate context, often leading to disputes over property ownership and the real intent of contractual agreements between parties. It underscores the Supreme Court's role in interpreting agreements in light of the prevailing law and jurisprudence to ensure fairness and justice.