

### Title: Juan Olivares and Dolores Robles vs. Esperanza de la Cruz Sarmiento

### Facts:

Esperanza de la Cruz Sarmiento (respondent) owned a parcel of land in Oton, Iloilo. In 1976, she and her husband secured a P12,000 loan from the Development Bank of the Philippines (DBP), mortgaging the land. Failure to meet payments led to a purported loan from Luis Boteros to prevent foreclosure. Boteros allegedly paid the DBP loan on behalf of respondent, who later claimed her signatures were forged in two deeds of sale to Boteros. Boteros contended that he legitimately bought the property after settling the respondent's DPB loan. The property was eventually sold to Juan Olivares and Dolores Robles (petitioners), who then faced legal action from the respondent seeking recovery of possession and ownership.

The Regional Trial Court of Iloilo dismissed the respondent's complaint in 1993, a decision reversed by the Court of Appeals in 2002, declaring the sale transactions null and void, deeming them equitable mortgages. The petitioners then appealed to the Supreme Court.

### Issues:

1. The validity of the appellate court's disregard of the trial court's established facts.
2. The appellate court's findings based on speculation without specific evidence.
3. Whether the deed of definite sale constituted an equitable mortgage.
4. The legality of ordering a mortgagee to redeem mortgaged property.
5. The determination of petitioners as buyers in good faith.

### Court's Decision:

The Supreme Court sided with the petitioners, reinstating the trial court's decision. The court found the Deed of Absolute Sale valid and authenticated, rejecting claims of forgery due to lack of compelling evidence. The supposed loan agreement between respondent and Boteros was not substantiated, and the transaction was deemed a legitimate sale, not an equitable mortgage. The court underscored that the essential requirements for a valid contract were met.

### Doctrine:

The Supreme Court reiterated the doctrine that a notarized document carries the presumption of regularity unless contradicted and overcome by clear and convincing evidence. Moreover, the court highlighted that the literal intentions of a contract's stipulations are paramount when its terms are clear, leaving no room for construction.

### Class Notes:

- A notarized document is presumed regular and valid.
- In contractual disputes, the actual stipulations, when clear, are controlling.
- The burden of proving forgery or the invalidity of a notarized document rests on the party alleging it.
- The difference between an equitable mortgage and an absolute sale hinges on the intention of the parties and the presence of contractual essentials: consent, object, and consideration.

**### Historical Background:**

This case illustrates the complexities surrounding property transactions, the interpretation of contracts, and the distinction between absolute sales and equitable mortgages within the Philippine legal context. The Supreme Court's decision underscores the importance of notarization and the evidential weight of documented agreements in property disputes, illustrating the judiciary's role in clarifying and enforcing contractual arrangements.