

**\*\*Title:** Spouses Carlos and Eulalia Raymundo and Spouses Angelito and Jocelyn Buenaobra vs. Spouses Dominador and Rosalia Bandong**\*\***

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

Eulalia Raymundo was engaged in a business involving large cattle, employing “biyaheros” like Dominador Bandong to procure cattle. Customarily, Eulalia required the biyaheros to provide Transfer Certificates of Title (TCTs) of their properties as collateral. However, Dominador, being a long-time employee without prior issues, was not required to post such security initially.

In 1989, after discovering Dominador incurred a P70,000.00 shortage in his operations, Eulalia had the Bandongs execute a Deed of Sale for a property in Caloocan City in her favor, which was subsequently transferred to Eulalia and her husband Carlos Raymundo, and later to their grandniece Jocelyn Buenaobra and her husband Angelito.

The Buenaobras then filed an ejectment suit against the Bandongs, which, after moving through various courts, resulted in a final resolution favoring the Buenaobras. Subsequently, the Bandongs filed a case to annul the sale claiming it was actually an equitable mortgage intended to secure the shortage amount, not a sale.

**\*\*Procedural Posture:\*\***

After the Bandongs’ loss in the ejectment case, they initiated an action for annulment of sale against Eulalia and Jocelyn in the RTC, which ruled in favor of Eulalia and Jocelyn, declaring the sales valid. On appeal, the Court of Appeals reversed the RTC’s decision, finding the transaction between Dominador and Eulalia to be an equitable mortgage based on the inadequacy of price and retention of possession by the Bandongs, among other factors.

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

1. Whether the Deed of Sale between Dominador and Eulalia is valid and binding.
2. Whether Jocelyn is a buyer in good faith.

**\*\*Court’s Decision:\*\***

The Supreme Court upheld the Court of Appeals’ decision, emphasizing the intention behind the Deed of Sale was for it to serve as security for the debt, making it an equitable mortgage rather than a sale. Key points included the inadequacy of the sale price and the Bandongs’

continued possession of the property.

On the second issue, the Court found Jocelyn was not a buyer in good faith, given her familial relations with Eulalia and knowledge of the property's possession status. This knowledge should have prompted further inquiry, casting doubt on her claim of good faith.

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

The decision reinforced the doctrine that a deed, while named as a sale, could be presumed an equitable mortgage based on the circumstances, such as the seller's retention of possession or inadequate pricing. It also highlighted the principle that one cannot alienate what one does not own, barring situations like sales by non-owners under specific conditions laid out in the Civil Code.

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

- In determining the true nature of a transaction, courts will look beyond the document's name to the parties' intentions and the surrounding circumstances.
- The existence of any of the conditions stated in Article 1602 of the Civil Code is sufficient to presume a contract as an equitable mortgage.
- Good faith or lack thereof is determined by outward conduct and the known facts at the time of the transaction, rather than by claimed ignorance.
- An inequitable mortgage arises when the transaction, though labeled as a sale, is intended as security for a debt.

**\*\*Historical Background:\*\***

This case reflects on the broader issues of property transactions in the Philippines, where the form of contracts can sometimes mask the true intentions of the parties involved. The Supreme Court's decision underscores the judiciary's role in interpreting agreements based on their substance over form, ensuring equity and fairness in financial dealings, particularly in situations where imbalance of power or knowledge may influence the nature of agreements.