

Title:

****Benjamin Bautista vs. Shirley G. Unangst et al.: A Case of Equitable Mortgage****

Facts:

The case revolves around a transaction initially presented as a deed of sale with the right to repurchase between Benjamin Bautista and Shirley G. Unangst. Hamilton Salak, having rented a car from Bautista's rental service and failing to return it, found himself and his common-law wife, Unangst, in legal troubles leading to their arrest. To settle their obligations, Salak offered to sell a property owned by Unangst to Bautista, who accepted the offer after consultation and agreement to cover the outstanding mortgage to prevent auction of Unangst's property. They executed a deed of sale with conditions favoring repurchase by Unangst, who failed to fulfill these conditions. Consequently, Bautista sought legal means to assert his claim over the property through the Regional Trial Court (RTC), which ruled in his favor. However, Unangst was unaware of this ruling until the motion for execution was filed.

Upon learning of the RTC decision, Unangst filed a petition for relief based on inadequate notice, which was initially hampered by discrepancy in docket fees but eventually rectified, leading to the Court of Appeals (CA) accepting her appeal. The CA reversed the RTC's decision, recognizing the transaction as an equitable mortgage rather than a sale.

Issues:

1. Whether the transaction between Bautista and Unangst should be considered a deed of sale with right to repurchase or an equitable mortgage.
2. Whether the CA was correct in admitting Unangst's appeal despite the initial discrepancy in the payment of docket fees for the petition for relief.

Court's Decision:

1. ****On the Nature of the Transaction****: The Supreme Court held that the transaction was an equitable mortgage, siding with the CA. The Court underscored that the surrounding circumstances, including the pressure under which Unangst signed the deed and the retention of possession of the property, indicated that the real intention was to secure a debt, fulfilling the conditions for an equitable mortgage under Article 1602 of the Civil Code.

2. ****On Admitting the Appeal****: The Court justified the CA's decision to admit the appeal despite the late payment of the correct docket fees, highlighting the importance of justice

and fairness over procedural technicality. This was supported by noting that the failure to pay the correct docket fees was based on a clerical error rather than an intent to circumvent judicial processes.

Doctrine:

The Supreme Court reiterated the principle that the nature of a contract is determined not by its nomenclature but by the intention of the parties involved. Specifically, it emphasized the conditions under which a purported sale with right to repurchase can be presumed to be an equitable mortgage, as laid out in Article 1602 of the Civil Code.

Class Notes:

- ****Equitable Mortgage****: A contract that is ostensibly a sale with right to repurchase but is intended to secure a debt or obligation. The presumption arises under conditions such as inadequate pricing, retention of possession by the vendor, or the clear intention to secure a debt (Article 1602, Civil Code).
- ****Docket Fees****: Payment of the correct docket fees is jurisdictional and mandatory, but the Court may exercise discretion in case of justifiable discrepancies to promote fairness and justice.
- ****Intent Over Form****: The true nature of an agreement is determined by the parties' intentions rather than the terminology used in the document.

Historical Background:

This case highlights the judiciary's role in interpreting contracts beyond their textual representations to unveil the real intent of parties, especially in transactions potentially disguised to evade the implications of usury laws or unfavorable contractual terms. It underscores the protective measures in Philippine legal jurisprudence against exploitative practices in property transactions.