

Title:

Dizon vs. Gaborro: A Legal Analysis of Land Sale and the Right of Redemption

Facts:

Jose P. Dizon was the registered owner of three parcels of land in Mabalacat, Pampanga, mortgaged to the Development Bank of the Philippines (DBP) and the Philippine National Bank (PNB) to secure loans. After Dizon defaulted, the DBP foreclosed the mortgage and purchased the lands at a foreclosure sale on May 26, 1959. On October 6, 1959, Dizon met Alfredo G. Gaborro and instead of leasing the property to Gaborro as initially intended, they executed two contracts due to the foreclosure— a “Deed of Sale with Assumption of Mortgage” and an “Option to Purchase Real Estate.” Gaborro took possession of the land, assuming the mortgage obligations to DBP and PNB. However, the transaction’s true nature became contested, leading Dizon to file a complaint in the Court of First Instance of Pampanga, alleging the deals were essentially an equitable mortgage meant to secure reimbursement from Gaborro for amounts he had paid on Dizon’s behalf, and not an absolute sale.

Throughout the judicial proceedings, Dizon sought relief in the form of reimbursement rights, land possession return, and accounting for fruits and income derived from the lands by Gaborro. Upon Alfredo Gaborro’s death, his wife, Pacita de Guzman Gaborro, took over as the judicial administratrix of his estate. Both the Court of First Instance and the Court of Appeals affirmed with modifications that Dizon had the right to refund or reimburse the amount paid by Gaborro with interest, under the condition he exercise this right within one year, failing which he would lose his right over the lands forever.

Issues:

1. Whether the contracts between Dizon and Gaborro constituted an absolute sale or an equitable mortgage.
2. Whether Gaborro (or his estate) should provide an accounting for the fruits and income received from the lands.

Court’s Decision:

The Supreme Court affirmed the appellate court’s decision with modification, holding that the agreements between Dizon and Gaborro were not an absolute sale but rather an innominate contract partaking of the nature of an antichresis, entitling Dizon to reconveyance of the properties upon reimbursing Gaborro the amounts he paid towards Dizon’s original loan principals with the DBP and PNB. The court declared Dizon had no

right to demanded fruit and income accounting from Gaborro, equating Gaborro's financial contributions towards the mortgages as offset by the benefits he derived from land possession and utilization.

Doctrine:

Innominate contracts, where the parties' real intention does not match the written terms, may be reformed to express the true intention. Specifically, a transaction resembling antichresis, providing the grantor the right to recover property upon reimbursing the grantee amounts paid towards the grantor's debt, acknowledges the flexible nature of contractual arrangements beyond traditional mortgage or absolute sale definitions.

Class Notes:

- **Innominate Contracts:** Unlike nominate contracts with specific names and regulations, innominate contracts involve agreements that cannot be categorized under a specific contract type but are still enforceable if they meet general contract requisites.
- **Antichresis:** A contractual arrangement where a debtor transfers possession of real property to a creditor as security for a debt, with the creditor entitled to receive the fruits of the property to offset the debt.
- **Equitable Mortgage:** A real estate security interest suggesting a mortgage, regardless of its formal designation, ensuring protection under laws applicable to actual mortgage transactions.
- **Doctrine of Reformation:** Courts may reform contracts to reflect the true intentions of the parties when mutual mistake or inequitable conduct results in a disparity between the contract's written terms and the parties' agreement.

Historical Background:

This case underscores the complexities of land ownership, sale, and mortgage in the Philippines, reflecting on the necessity to ascertain parties' actual intentions in transactions involving real properties to ensure equitable outcomes. It demonstrates the pivotal role of judicial interpretation in identifying the true nature of contracts and enforcing them accordingly to achieve justice and fairness among litigants.