

Title: Gregorio Fule vs. Court of Appeals, Ninevetch Cruz, and Juan Belarmino

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

Gregorio Fule, a banker and jeweler, acquired a 10-hectare property in Tanay, Rizal previously owned by Fr. Antonio Jacobe. The property was foreclosed by the bank where Fule served as corporate secretary, following Jacobe's failure to repay a P10,000.00 loan. In July 1984, upon Fule's instruction, his agents found a buyer for the property, Dr. Ninevetch Cruz. Fule, interested in a pair of emerald-cut diamond earrings owned by Cruz, proposed a barter involving the earrings and the Tanay property. After some negotiations and upon discovering that the redemption period for the property had not yet expired, Fule facilitated a deed of redemption on behalf of Jacobe and a subsequent sale of the property to himself.

On October 23, 1984, Fule and private respondent Atty. Juan Belarmino prepared the documents for the sale, leading to the execution of a deed of absolute sale on October 24, wherein the property was bartered for the earrings plus an additional P40,000.00 to be paid by Cruz. Following the alleged delivery of counterfeit earrings by Cruz, Fule, after a series of verifications of the earrings' authenticity, which were later determined to be fake, sought the nullification of the contract of sale alleging fraud and deceit by Cruz and Belarmino.

The Regional Trial Court of San Pablo City dismissed Fule's complaint and ordered him to pay Cruz and Belarmino damages and attorney's fees. The Court of Appeals affirmed this decision.

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

1. Whether the contract of sale is voidable due to alleged fraud or deceit.
2. Whether the awards of moral and exemplary damages and attorney's fees to Cruz and Belarmino were appropriate.
3. Whether the deed of sale of the Tanay property should be nullified.

**\*\*Court's Decision:\*\***

The Supreme Court affirmed the decision of the Court of Appeals, holding that:

1. There was a valid contract of sale consummated between Fule and Cruz, with no sufficient evidence of fraud or deceit by Cruz that could void the contract. Fule's expertise in jewelry and banking implied that he had the means to verify the authenticity of the earrings before finalizing the trade.
2. Fule was found to have acted in bad faith by not only inflating the value of the Tanay property but also by filing a baseless lawsuit, thereby justifying the awards of damages to

Cruz and Belarmino.

3. Given the validity of the contract and absence of fraud, the deed of sale was ruled as binding, with an order for Cruz to pay Fule the outstanding balance of P40,000.00 for the property.

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

Contracts are perfected by mere consent and binding upon parties unless voidable due to incapacity, vitiation of consent, or illegality. A party alleging fraud must demonstrate the specific acts that constitute fraud. Moral damages may be awarded when the defendant's wrongful act or omission is the proximate cause of the plaintiff's suffering, provided there is proof of bad faith or malicious intent.

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

- Essential elements of a valid contract: consent, subject matter, and consideration.
- Circumstances under which contracts may be voided: incapacity of a party to give consent, consent vitiated by mistake, violence, intimidation, undue influence, or fraud.
- Definition and requirements for fraud to nullify a contract.
- Conditions under which moral damages may be awarded: there must be proof of bad faith, malicious intent, or fraudulent act leading to the plaintiff's suffering.

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

This case underscores the challenges in resolving disputes involving barter agreements, especially when one party alleges fraud. It highlights the court's reliance on established principles in contract law, particularly concerning consent, the determination of fraud, and the basis for awarding damages, which remain pivotal in adjudicating similar cases.