

### Title: Severo Sales and Esperanza Sales Bermudez vs. Court of Appeals and Leonilo Gonzales

### Facts:

Severo Sales owned a parcel of unregistered land in Bugallon, Pangasinan. On July 4, 1955, he mortgaged this property along with two others to secure a loan from Faustina P. Agpoon and Jose Agpoon. Subsequently, the property underwent a change in tax declaration with a minor variation in area. On December 24, 1958, Sales donated a portion of this property to his daughter, petitioner Esperanza Sales Bermudez.

In 1959, facing foreclosure, Sales sought Ernesto Gonzales' help, who paid Sales' indebtedness with the expectation of transferring the mortgage to him, resulting in Sales and his wife signing an allegedly misunderstood document. Later, a Deed of Sale was registered showing the sales of the land to Leonilo Gonzales, Ernesto Gonzales' son, without Sales' full comprehension, as claimed.

Following Ernesto Gonzales' death, Leonilo Gonzales, asserting ownership via the Deed of Sale, sought to claim the land, leading to a legal dispute initiated by Sales for annulment due to fraud. Both the Court of First Instance and the Court of Appeals upheld the validity of the Deed of Sale, determining that Sales' fraud allegations were unfounded and recognizing Gonzales' ownership of the land.

### Issues:

1. Whether the Deed of Sale executed between Severo Sales and Leonilo Gonzales was valid despite allegations of fraud and purported illiteracy of Sales.
2. The applicability of Art. 1332 of the Civil Code on contracts involving illiterate parties or those unaware of the language used.
3. The precedence of the unregistered Deed of Donation over the Deed of Sale in terms of ownership and possession rights.

### Court's Decision:

1. The Court affirmed the validity of the Deed of Sale, pointing out that Sales' prior involvement in contracts written in English undermined his claims of illiteracy or unfamiliarity with the language.
2. It was established that the burden of proof for invoking Art. 1332 falls on the party claiming the disadvantage, which Sales failed to substantiate effectively.
3. The Court ruled that the Deed of Donation's non-registration did not bind third parties,

including Leonilo Gonzales. Consequently, the Deed of Sale, coupled with its registration and the credibility of the notary public's testimony, carried legal weight over the unregistered deed of donation.

4. The doctrine establishes that for unregistered lands, non-registration of a transaction (such as a Deed of Donation) does not affect third parties with no knowledge of such transaction. Furthermore, it was highlighted that good faith or bad faith of a buyer is only relevant for registered lands, not for unregistered properties.

### ### Doctrine:

The Supreme Court reiterated the principle that in dealings involving unregistered land, a registered transaction, in this case, the Deed of Sale, takes precedence over an unregistered one, such as a Deed of Donation. It stressed the importance of registration under the pertinent acts to bind third parties. Moreover, it outlined the necessity for a claimant alleging disadvantages, like illiteracy, to substantiate such claims effectively to invoke protections under Art. 1332 of the Civil Code.

### ### Class Notes:

1. **Art. 1332 of the Civil Code:** This article addresses contracts involving parties who cannot read or understand the language of the contract, stating that the terms must be fully explained to them. This case illustrates the responsibilities on both the claimant to prove their disadvantage and on the party enforcing the contract to show that terms were adequately explained.
2. **Registration of Deeds:** The importance of registering deeds or instruments affecting unregistered land is emphasized to ensure legal recognition and protection against third-party claims.
3. **Burden of Proof:** The individual claiming under Art. 1332 bears the initial burden of proof to establish their incapacity to understand the document due to illiteracy or unfamiliarity with the language.

### ### Historical Background:

This case underscores the complexities and legal challenges of dealing with unregistered land transactions in the Philippines. It reflects the evolving jurisprudence on property rights, focusing on the significance of deed registration and the protection of parties in transactions involving unregistered lands. The decision reflects the legal system's approach to balancing the interests of both original owners and subsequent purchasers, emphasizing the importance of formalities in establishing property rights.