

****Title: Catalan v. Basa, G.R. No. 555****

****Facts:****

1. ****Military Service Discharge:**** On October 20, 1948, Feliciano Catalan was discharged from active military service due to a schizophrenic reaction, catatonic type, deemed to make him unfit for military service.
2. ****Marriage:**** Feliciano married Corazon Cerezo on September 28, 1949.
3. ****Donation to Mercedes:**** On June 16, 1951, Feliciano allegedly donated half of a parcel of land in Binmaley, Pangasinan, to his sister Mercedes Catalan via an "Absolute Deed of Donation."
4. ****Registration and Tax Declaration:**** The donation was registered with the Register of Deeds, and the Bureau of Internal Revenue issued Tax Declaration No. 18080 in Mercedes's name. The remaining half stayed under Feliciano's name.
5. ****Guardianship Proceedings:**** On December 11, 1953, the People's Bank and Trust Company, filed Special Proceedings No. 4563 to declare Feliciano incompetent. The court declared him so on December 22, 1953, and appointed the Bank as his guardian.
6. ****Subsequent Donations:****
 - On November 22, 1978, Feliciano and Corazon donated Lots 1 and 3 to their son Eulogio.
 - On June 24, 1983, Feliciano and Corazon donated Lot 2 to their children Alex, Librada, and Zenaida.
 - On February 14, 1983, the couple donated Lot 4 to Eulogio and Florida.
7. ****Sale of Property:**** On March 26, 1979, Mercedes sold the donated property to her children, Delia and Jesus Basa. The sale was registered on February 20, 1992, after Mercedes had passed away.
8. ****Complaint Filed:**** On April 1, 1997, BPI, representing Feliciano, filed a case seeking the nullity of the donation to Mercedes and the subsequent sale, claiming Feliciano was incompetent at the time of donation. They asserted the deed was void ab initio and sought damages.
9. ****Death of Feliciano:**** Feliciano passed away on August 14, 1997, and his heirs substituted BPI as complainants.

10. **Trial Court Decision (1999):** The trial court dismissed the complaint, ruling that the evidence did not overcome the presumption of Feliciano's sanity and upholding the presumption of the deed's due execution.

11. **Appeal to CA:** The petitioners filed a notice of appeal. The Court of Appeals affirmed the trial court's ruling, stating that the petitioners failed to prove Feliciano's insanity at the time of the donation and upholding the sale's validity.

Issues:

1. Whether the Court of Appeals erred in affirming that the petitioners failed to prove Feliciano's insanity or mental incapacity at the precise moment of the donation.
2. Admissibility of the Certificate of Disability and the Board of Officers' report.
3. Whether the sale of the property by Mercedes to her children should be upheld.
4. Whether the action is barred by prescription and laches.

Court's Decision:

1. **Insanity or Mental Incapacity:** The Supreme Court held that the burden of proving Feliciano's incapacity rested on the petitioners. The evidence presented, notably the 1948 medical discharge and the 1953 court declaration of incompetence, was insufficient to establish that Feliciano was incompetent in 1951. The evidence showed only a diagnosis of schizophrenia, which does not automatically imply consistent incompetence. Thus, the lower courts correctly upheld the presumption of sanity.

2. **Admissibility of Evidence:** The Supreme Court deemed the Certificate of Disability and the Board of Officers' report admissible but found them insufficient to prove Feliciano's incompetence in 1951.

3. **Validity of Sale:** Since the donation was valid, Mercedes had the right to sell the property. The registration delay of the Deed of Sale did not affect its validity. The notarized document carried the presumption of regularity, which the petitioners failed to rebut.

4. **Prescription and Laches:** This issue, raised belatedly on appeal, was moot since even if the appeal had merit, the four-year prescriptive period for filing an action to annul the donation had lapsed.

Doctrine:

- **Presumption of Sanity:** There is a presumption of sanity that must be rebutted by clear and convincing evidence. The burden of proof lies with those alleging incapacity.
- **Validity of Notarized Documents:** Notarized documents enjoy a presumption of regularity and due execution. This presumption can only be overcome by evidence that is clear, convincing, and more than preponderant.

Class Notes:

- **Elements of Contracts:** Consent must be intelligent, free, and spontaneous (NCC Art. 1318). Consent vitiated by mistake, violence, intimidation, undue influence, or fraud renders a contract voidable (NCC Art. 1330).
- **Rebutting Presumptions:** The burden of proof for allegations of incapacity or undue influence lies with the party making the claim.
- **Prescription Period:** Actions to annul voidable contracts based on incapacity must be filed within four years from the cessation of incapacity (NCC Art. 1391).

Historical Background:

The case underscores the post-WWII efforts in the Philippines to re-integrate veterans into civilian life, highlighting issues of mental health and legal competence. It reflects the evolving judicial approach in balancing presumed competence with medical diagnoses and the safeguarding of property rights of those declared incompetent. The ruling also elucidates the continued legal battle over property distribution and inheritance within Filipino families.