

Title: Fernando T. Mate vs. The Honorable Court of Appeals and Inocencio Tan

Facts:

On October 6, 1986, Josefina R. Rey ("Josie"), accompanied by the private respondent Inocencio Tan, visited the petitioner Fernando T. Mate in Tacloban City. Josie, a cousin of Mate's wife, sought Mate's help to avoid criminal prosecution for issuing rubber checks amounting to ₱4,432,067.00 to Tan. Josie proposed that Mate transfer his three lots in Tacloban City to Tan as a simulated deed of sale with a right of repurchase, assuring Mate that she would redeem the properties herself within six months.

Mate agreed under several conditions:

1. The deed would state a consideration of ₱1,400,000.00 with 5% monthly interest.
2. The properties would be repurchased by April 4, 1987.
3. Josie would fund the redemption.
4. The sale would not be registered or annotated on the titles.

Mate received two postdated BPI checks from Josie, one for ₱1,400,000.00 and another for ₱420,000.00, as assurance for the repurchase. Upon depositing these checks on January 14, 1987, both were dishonored due to closed accounts. Mate filed criminal charges against Josie for violating B.P. 22 but also initiated Civil Case No. 7396 for the annulment of the contract, citing lack of consideration when the checks bounced and criminal deceit by Tan and Josie.

The RTC Leyte asked Tan to file for consolidation of ownership, resulting in Civil Case No. 7587. The RTC ruled in favor of Tan, with the Court of Appeals affirming but modifying the decision to include attorney's fees for Tan.

Issues:

1. Whether the Deed of Sale with Right to Repurchase was valid and had sufficient consideration.
2. Whether the failed redemption due to dishonored checks nullified the transaction.
3. Whether Tan engaged in false pretenses or deceit.

Court's Decision:

1. ****Validity and Consideration****:

- The Court ruled the deed valid, finding that the deed of sale indeed had consideration. Mate allowed Josie's request to avoid her prosecution by Tan. Although Mate did not directly receive the stipulated ₱1.4 Million from Tan, the postdated checks issued by Josie

implied acknowledgement and understanding of a monetary equivalent from Josie.

2. **Failed Redemption and Annulment Claim**:

- The dishonoring of the checks did not nullify the deed. Mate's act of filing criminal charges against Josie under B.P. 22 suggested a tacit admission of the transaction's consideration. Consequently, Mate was contractually bound to the terms, irrespective of the checks bouncing.

3. **Deceit and False Pretenses**:

- Evidence did not support claims of deception by Tan. The Court noted that Mate, a lawyer, willingly drafted and executed the contract, knowing its nature and risks. It pointed out that Tan's agreement waived immediate prosecution of Josie, a demand likely prompted by Mate's actions rather than deceit.

The Supreme Court reiterated the doctrine that once a contract is entered with all valid elements, it is binding on both parties. Here, Mate bore responsibility for his misfortune by misjudging the situation compounded by his own greed.

Doctrine:

- A valid contract remains enforceable provided all essential elements (consent, object, cause) subsist, regardless of subsequent misfortunes to either party.
- The party who facilitated conditions making fraud possible shares liability in associated losses.
- Filing actions under B.P. 22 demonstrates acknowledgment of consideration and validation of related contractual agreements.

Class Notes:

- **Essential Elements of a Contract**: Consent, Object, Cause.
- **Pacto de Retro Sale**: Involves selling properties with an agreement allowing the seller to repurchase.
- **Bouncing Checks Law (B.P. 22)**: Filing criminal cases under B.P. 22 validates the underlying financial transactions.
- **Equitable Maxim**: Between two innocent parties, the one facilitating the deceit bears the loss.
- **Relevant Statute**: B.P. 22 (Bouncing Checks Law), Civil Law Principles governing contracts and obligations.

Historical Background:

In the late 1980s, financial transactions often relied on postdated checks, which sometimes led to legal complications when those checks bounced due to insufficient funds. The case reflects the period's regulatory environment and the judicial approach to contractual disputes involving deceit and financial liabilities. The decision underscores the importance of due diligence and prudence, especially among legal professionals.