

Title: Spouses Salonga vs. Spouses Concepcion and Florencia Realty Corporation (G.R. No. 507 Phil. 287)

Facts:

- The Salongas owned eight prime parcels of land in Dagupan City and secured multiple loans using these lands as collateral, mortgaging them to various banks (Associated Bank, Philippine National Bank, Development Bank of the Philippines, and Rural Bank of Malasiqui).
- On July 16, 1990, a devastating earthquake damaged their commercial building, leading to financial difficulties and default on their loans. The creditor banks began foreclosing on their properties.
- Foreclosures began: TCT No. 49460 was sold at auction to Rural Bank of Malasiqui on September 4, 1991. DBP sold the property in TCT No. 53650 at public auction on November 21, 1991.
- On October 1, 1992, Associated Bank filed for extrajudicial foreclosure of properties covered by multiple TCTs due to an unpaid balance. Auction set for December 10, 1992.
- The Salongas borrowed P500,000 from Spouses Concepcion to repay PNB, with additional loans for their obligations to other creditors, totalling P3,131,154.54.
- The Salongas executed Deeds of Absolute Sale on August 31 and October 18, 1993, to the Concepcions for various properties. The Concepcions later sold some parcels to Florencia Realty Corporation.
- The Salongas claimed these deeds were simulated, intended only to serve as security for their debt, but the Concepcions registered and transferred titles to their names despite an agreement not to do so.
- The Salongas initiated a complaint to annul these transactions, asserting the true agreement was for a loan secured by the property (equitable mortgage), not a genuine sale.

Procedural Posture:

- The Salongas filed a complaint at the RTC on July 12, 1994; the RTC dismissed the complaint, validating the deeds of sale, and awarded damages to the Concepcions.
- The Salongas appealed to the Court of Appeals (CA), which affirmed the RTC's decision

but stated it was a sale with a right to repurchase, now void due to non-repurchase.

- The Salongas petitioned for review with the Supreme Court, asserting the transactions were equitable mortgages, not sales.

Issues:

1. Were the Deeds of Absolute Sale executed in favor of the Concepcions void, being simulations without true consent for sale?
2. If not void ab initio, do the transactions qualify as equitable mortgages?
3. Were the CA's conclusions contrary to law and jurisprudence?

Court's Decision:

- The Supreme Court found the Deeds of Absolute Sale were not genuine sales but equitable mortgages. It was clear the transactions were meant to secure the Salongas' debt to the Concepcions, given the following observations:

- i. The price of the sale was grossly inadequate compared to the market value of the properties.
- ii. The Salongas retained possession post-execution.
- iii. Witness testimony confirmed an agreement not to register the deeds.
- iv. The Concepcions demanded excessive amounts to redeem.

Doctrine:

- ****Equitable Mortgage Presumptions:**** Article 1602 of the Civil Code applies when any circumstance indicates the transaction was intended as security for a loan, not an outright sale.
- ****Form vs. Substance:**** Courts may look beyond the formal language of documents if evidence shows a different true intent.

Class Notes:

- Key Elements of Equitable Mortgage:

1. Grossly inadequate purchase price.
2. Vendor remains in possession.
3. Presence of ancillary agreements or indications the real intent was security for a debt.

- ****Statutes:****

- Article 1602, Civil Code: Lists conditions presuming an equitable mortgage.
- Article 1370, Civil Code: Intention prevails over the document's form.

Historical Background:

- This case must be seen in the context of high post-1990 Philippine economic distresses where landowners increasingly resorted to complex financial arrangements to protect their properties from creditor takeovers. This legal battle illustrates common issues in mortgage and equity arrangements where intended security agreements were misrepresented as absolute sales, leading to significant legal contentions over property rights and creditor practices.