

Title: De Mesa v. Pulutan, G.R. No. 249837

Facts:

This case stems from a complaint for unlawful detainer and damages filed by Marlene D. De Mesa against Rudy D. Pulutan and Medy P. Bundalian. De Mesa claimed ownership of a property in San Pablo City, Laguna, through a deed of sale with Amelia D. Pulutan, Rudy's mother, which resulted in the issuance of TCT No. T-75686 in De Mesa's name. A lease agreement for the same property was then executed with Amelia from October 2006 to September 2007. Upon the lease's expiration, Amelia continued occupying the property but allegedly failed to pay rent. An agreement was reached allowing Amelia to repurchase the property by December 30, 2009, which she failed to do. After her death in 2016, De Mesa demanded Rudy vacate the property, but the demand was ignored.

De Mesa initiated an unlawful detainer case before the Municipal Trial Court in Cities (MTCC), which held that the contract between De Mesa and Amelia was one of sale and ordered Rudy and Medy to vacate the property. The MTCC also awarded De Mesa attorney's fees and back rentals. Rudy and Medy appealed to the RTC, which affirmed the MTCC decision but reduced the monthly rental fee. The RTC's Writ of Execution was also implemented due to the respondents' failure to post a supersedeas bond during the appeal.

The respondents subsequently filed a petition with the Court of Appeals (CA), which reversed the RTC's decision, holding that the contract was an equitable mortgage, not a sale, due to the circumstances surrounding possession and the intention to secure debt. The CA dismissed the unlawful detainer case, recognizing Amelia's actual possession and the lack of evidence for De Mesa's claim of permissive tolerance.

De Mesa then petitioned the Supreme Court to review the CA ruling.

Issues:

1. Whether the CA erred in reversing the lower courts' decisions by ruling the contract was an equitable mortgage and not a sale.
2. Whether the CA engaged in a collateral attack on the TCT by considering ownership issues during the unlawful detainer proceedings.

Court's Decision:

1. On the nature of the contract: The Supreme Court upheld the CA's finding that the contract was an equitable mortgage rather than a sale. This conclusion was supported by Amelia's continued possession of the property in a manner indicative of ownership, aligning

with factors stated in Article 1602 of the Civil Code. Consequently, De Mesa was not entitled to possession merely based on the registered title alone, as her ownership claim was weakened by the nature of the contract.

2. On the alleged collateral attack on the TCT: The Court reiterated that resolving ownership issues in ejectment cases is permissible for the purpose of determining possession and does not constitute an impermissible collateral attack on the title. Therefore, the CA's decision did not conflict with the principles protecting registered titles under the Torrens system.

#### Doctrine:

The Court reiterated that the determination of ownership in ejectment proceedings is provisional and serves only to resolve possession disputes. A contract may be deemed an equitable mortgage if certain indicators, as enumerated in Article 1602, are present — specifically when the vendor retains possession under conditions akin to ownership. The rightful possession cannot solely be asserted on the basis of a Torrens title if substantial evidence indicates differing intentions by the parties involved.

#### Class Notes:

##### Key Elements:

- Unlawful Detainer: Jurisdictional elements include initial permissive possession turning illegal, unheeded demand to vacate, and action filed within one year of demand.
- Equitable Mortgage: Indicators include the retention of possession by the vendor or elements implying mortgage despite a sale's appearance.
- Rule 70, Rules of Court: Allows for resolution of ownership for possession purposes without collateral attack on title.

#### Historical Background:

The case involves interpretations of property rights vis-à-vis the Torrens title system and the nuanced distinctions between sale and mortgage agreements, reflecting broader principles in property law aimed at protecting true intentions of contractual parties over mere formal title indications. It aligns with evolving jurisprudence protecting equitable interests and considerations of justice over strict legal interpretations.