

Case Title:

Amado Z. Ayson, Jr. vs. Spouses Felix and Maxima Paragas, G.R. No. 143510

Facts:

1. ****Initiation of Ejectment Complaint****:

- On April 12, 1993, Amado Z. Ayson (petitioner), represented by Zosimo S. Zareno, filed an ejectment complaint in the Municipal Trial Court in Cities (MTCC), Dagupan City against Spouses Felix and Maxima Paragas (respondents).
- Ayson claimed ownership of the land as per Transfer Certificate of Title (TCT) No. 59036, and alleged that respondents were occupying the land without rent and refused to vacate despite previous agreements and partial payment.
- Respondents had signed an affidavit on April 8, 1992, agreeing to vacate in exchange for a consideration of Php 20,000, part of which (Php 10,000) was already paid.

2. ****Preliminary Conference Admissions****:

- Ayson admitted that respondents had been in possession of the land since 1930, and a semi-concrete house was on the land.
- Respondents acknowledged that Felix Paragas admitted their occupancy by the tolerance of Ayson without rental payment.

3. ****MTCC Decision****:

- On August 31, 1993, MTCC decided in favor of Ayson, ordering respondents to vacate, pay monthly rent from the complaint filing date until vacating, return the Php 10,000, and additional damages and fees.

4. ****Appeals to Higher Courts****:

- Respondents appealed to the Regional Trial Court (RTC), which affirmed MTCC's decision on August 16, 1996.
- Respondents further appealed to the Court of Appeals, which dismissed the appeal on October 13, 1997. The Supreme Court denied respondents' appeal on December 3, 1997, making prior decisions final and executory.

Procedural Posture:

1. ****Filing of Declaration of Nullity of Deed of Sale****:

- On October 11, 1993, respondents filed a complaint for annulment of deed of sale and other related documents with RTC Branch 42, alleging undue influence and non-explanation for signing the deed in 1955.

- They asserted continuous installment payments deducted from Felix's salary, demanded reconveyance of the property, and alleged the deed was an equitable mortgage.

2. **Charge and Rulings**:

- RTC Branch 42 ruled in favor of respondents, declaring the deed an equitable mortgage and annulling the titles issued based on it.
- Petitioner appealed to the Court of Appeals, which affirmed RTC's decision in 2000 and denied the motion for reconsideration in December 2000.
- Petitioner then raised issues to the Supreme Court, emphasizing prior judicial admissions, prescription, estoppel, and laches.

Issues:

1. **Binding Nature of Judicial Admissions**:

- Whether respondents are conclusively bound by their admissions in prior ejectment proceedings regarding ownership and occupancy.

2. **Prescription and Laches**:

- Whether respondents' action to annul the deed is barred by the statute of limitations, specifically pertinent to allegations of fraud.

3. **Nature of the Deed - Sale vs. Equitable Mortgage**:

- Whether the deed of sale was in fact an equitable mortgage rather than an outright sale.

4. **Good Faith Buyer**:

- Whether petitioner, Ayson, is considered a buyer in good faith, not knowing any infirmity in the title upon transfer.

Court's Decision:

1. **Judicial Admissions Binding Nature**:

- The Court held that admissions in ejectment proceedings are limited to the issue of possession and do not preclude challenges to ownership in subsequent actions.

2. **Prescription of Action**:

- The Court reasoned that the four-year prescriptive period for voidable contracts based on fraud should commence from cessation of undue influence or threat. Since the threat and undue influence from petitioner's representatives likely persisted until recent engagement, the respondents' action filed in 1993 was within the prescriptive period.

3. **Equitable Mortgage**:

- The Court affirmed the lower court's finding that the deed was an equitable mortgage.

Indicators included respondents' continued possession, undue influence at signing, repayments exceeding the loan amount, and deductions aligned with the debt repayment plan.

4. **Good Faith Buyer**:

- The Court rejected petitioner's claim of being a buyer in good faith, citing knowledge of circumstances undermining ownership claims and subsequent acts of undue influence.

Doctrine:

- **Limited Effect of Ejectment Judgment**:

"The judgment in ejectment cases binds only on the issue of possession, not on ownership, allowing subsequent actions on ownership."

- **Equitable Mortgage Presumption**:

Per Civil Code Art. 1602 and Art. 1604, certain situations presumed as equitable mortgage, overriding form over intent of contracts.

Class Notes:

- **Ejectment and Ownership**:

Ejectment cases adjudicate physical possession but do not preclude ownership disputes.

- **Equitable Mortgage Identifiers**:

- Criteria: Unusually inadequate price, retention of possession, repurchase clause, retention of purchase price, taxes payment by vendor.

- Parol evidence admissible to reveal true agreement if equitable mortgage is presumed.

- **Prescription**:

- Voidable Contracts (Civil Code, Art. 1391): Action must be filed within four years from discovering fraud or the cessation of undue influence.

Historical Background:

- **Context**:

The case reflects broader social issues regarding informal land occupation and tenure in the Philippines and legal issues arising from informal accommodations and the formalization of land titles. The significance of equitable mortgage in Filipino legal context portrays the judiciary's role in safeguarding rights against abusive practices, particularly relevant in the historic backdrop where many Filipinos lacked formal land education and were vulnerable to manipulative practices by those in authority.