

Title: Flordeliza Emilio v. Bilma Rapal, G.R. No. 186139, March 29, 2010

Facts:

Flordeliza Emilio (petitioner) became the registered owner of a 196 sq. m. parcel of land in Caloocan City via a grant from the National Housing Authority (NHA), which contained a house occupying 27 sq. m. Since 1989, Bilma Rapal (respondent) had been leasing part of the house and, in 1993, leased an adjacent room.

In early 1996, Emilio borrowed P10,000 from Rapal. Emilio claimed she agreed to a subsequent P60,000 loan under the condition that the total P70,000 would cover rent until December 1998. A notarized document titled "Sale and Transfer of Rights over a Portion of a Parcel of Land," executed by Emilio, showed she sold 27 sq. m. of her lot to Rapal for P90,000.

Later, Emilio claimed she signed the deed of sale without understanding its content and initiated a lawsuit for reformation of the document on July 11, 2002 at the RTC Caloocan (Civil Case No. C-20148).

The respondent filed for dismissal, arguing lack of cause and prescription, but the RTC allowed the case. After the respondent was declared in default, the RTC ruled in favor of Emilio, annulling the deed on the grounds it did not reflect the parties' true intention.

The respondent appealed to the Court of Appeals, which reversed the RTC's decision on September 27, 2007. The appellate court held Emilio failed to prove fraud and dismissed her claims of misunderstanding the document's content.

Emilio sought reconsideration and accompanied her motion with a "Sinumpaang Salaysay" (sworn affidavit) from her daughter, stating Emilio did not sell the property. The motion was denied, leading Emilio to file a petition for review on certiorari with the Supreme Court.

Respondent countered by asserting Emilio's English competence and referenced various English documents Emilio had understood and executed.

Issues:

1. Whether or not the action for reformation of instrument has prescribed.
2. Whether or not the deed of sale, as claimed by Emilio, represented a loan agreement, thus the deed should be reformed or nullified.
3. Whether Emilio had proven that the failure of the deed to express the true intention of the parties was due to fraud, mistake, inequitable conduct, or accident.

Court's Decision:

1. **Prescription**: The Supreme Court acknowledged that an action for reformation of instruments prescribes in ten years. Given the deed was executed in February 1996 and the complaint was filed in July 2002, the action had not prescribed.
2. **Reformation or Nullification of the Deed**: The Supreme Court found Emilio failed to present clear, convincing, and more than merely preponderant evidence to justify reformation. The notarized deed of sale enjoyed a presumption of regularity, which Emilio could not rebut satisfactorily. Notably, Emilio did not present the PAO lawyer or witnesses to substantiate her claim. Furthermore, the "Sinumpaang Salaysay" was filed belatedly and largely based on hearsay.
3. **Existence of Fraud or Mistake**: Emilio failed to establish fraud or mistake in the execution of the deed. The Court also took into account evidence indicating Emilio understood English, such as her previous filings and correspondences, which weakened her claim of not understanding the deed's contents.

Doctrine:

- **Reformation of Instruments**: For reformation, there must be a mutual agreement between parties that is mistakenly or fraudulently expressed in the written document. The document must vary from the agreed terms due to mistake, fraud, inequitable conduct, or accident. Notarized documents are presumed regular unless convincingly proven otherwise.
- **Burden of Proof**: The burden is on the party seeking reformation to present clear and convincing evidence that the written document does not reflect the true intentions due to specified causes.

Class Notes:

1. **Requisites for Reformation of Instrument**:
 - Meeting of the minds between the parties.
 - Discrepancy between the written instrument and the true intention of the parties.
 - The discrepancy is due to mistake, fraud, inequitable conduct, or accident (Civil Code of the Philippines, Art. 1359-1369).
2. **Notarized Documents**:
 - Enjoy the presumption of regularity.
 - Need clear and convincing evidence to rebut this presumption.

3. **Burden of Proof**:

- Incumbent on the petitioner to establish facts entitling them to the reformation of the contract.

Historical Background:

This case illustrates the legal principles surrounding reformation of instruments in Philippine law, its requisites, and the high burden of proof required to overcome the presumption of regularity accorded to notarized documents. The decision also underscores procedural requirements in litigation and the importance of timely and substantiated evidence.