

Title: **Sps. Sy v. De Vera-Navarro, et al.: Equitable Mortgage vs. Absolute Sale**

Facts:

- Ownership and Mortgage:** Petitioner John T. Sy, co-owner of a Zamboanga property valued over P40,000,000.00, borrows P3,720,000.00 from Ma. Lourdes De Vera-Navarro, and mortgages the property to secure the loan. The contract was executed on May 31, 2006, and annotated on TCT T-171,105 by June 2, 2006.
- Undated Deed of Sale:** De Vera-Navarro requested an undated Deed of Absolute Sale for P5,000,000.00 purportedly as additional loan security. Sy alleged they verbally agreed on collecting rentals amounting to P70,000.00/month for five years as loan repayment.
- Title Transfer to De Vera-Navarro:** On March 22, 2011, Sy learns through respondent Benjaemy Ho Tan Landholdings, Inc. (BHTLI) that the property has been transferred to De Vera-Navarro, and TCT T-199,288 issued in her name. BHTLI demands Sps. Sy to vacate.
- Adverse Claim and Sale to BHTLI:** Petitioner Valentino Sy annotated an adverse claim on TCT T-199,288 on March 24, 2011. De Vera-Navarro sells the property to BHTLI on March 30, 2011, leading to the issuance of TCT T-129-2011001530 in favor of BHTLI.
- Complaint and RTC Decision:** Sps. Sy files a complaint for nullity of the deed, cancellation of titles, and damages. The RTC decided on October 8, 2014, that the Deed of Absolute Sale was actually an equitable mortgage, ordering Sps. Sy to pay De Vera-Navarro P5,000,000.00 within 30 days. The executed sale to BHTLI was declared null and void.
- Appeals and CA Reversal:** Respondents appealed, and the CA reversed the RTC on November 23, 2017. The CA held that the transaction was a legitimate sale and BHTLI was a buyer in good faith. Sps. Sy's motion for reconsideration was denied, leading them to file a petition for certiorari with the Supreme Court.

Issues:

- Nature of the Contract:** Whether the transaction between John T. Sy and Ma. Lourdes De Vera-Navarro was an equitable mortgage or an absolute sale.
- Buyer in Good Faith:** Whether BHTLI could be considered a buyer in good faith.

Court's Decision:

1. **Equitable Mortgage:** The Supreme Court held that the transaction between Sy and De Vera-Navarro was indeed an equitable mortgage.

- **Possession:** Sy remained in possession despite the alleged sale, a clear indicator of a mortgage.

- **Inadequacy of Consideration:** The property's purported sale price of P5,000,000.00 was grossly inadequate considering its market value.

- **Retention of Purchase Price:** De Vera-Navarro retained the purchase price; No evidence was presented to show that the payment was made.

- **True Intent of the Parties:** Testimonies revealed that the Deed of Absolute Sale was intended as additional security for the loan.

2. **Good Faith of BHTLI:** The Supreme Court found that BHTLI was not a buyer in good faith.

- **Adverse Claim:** Valentino Sy's adverse claim noted on the title before the sale to BHTLI raised questions BHTLI failed to investigate.

- **Possession by Sps. Sy:** Continuous possession by Sps. Sy should have alerted BHTLI to investigate further.

Therefore, the Supreme Court reinstated the RTC's decision with modifications emphasizing the nullity of the sale to BHTLI.

Doctrine:

The case emphasizes that:

1. Transactions appearing as absolute sales may be presumed equitable mortgages if certain conditions under Article 1602 of the Civil Code are met.

2. Courts generally prefer the construction of transactions as mortgages rather than sales to preserve the security purpose.

3. Buyers of registered land must undertake due diligence especially when the property still has occupants or adverse claims.

Class Notes:

1. **Equitable Mortgage:** Civil Code, Art. 1602 - Any of the outlined circumstances (e.g., price inadequacy, possession by the seller, etc.) hints at an equitable mortgage.

2. **Good Faith Purchaser:** Legal precept requiring buyers to inspect and validate claims

and actual possession status before purchasing real estate.

****Historical Background:****

This case demonstrates the judicial inclinations during a significant economic period in the Philippines when real estate values and title clarity were critical, particularly reflecting property disputes influenced by high-value urban commercial properties. This historical context provides insight into market practices in property transactions, highlighting the importance of clear title and the rights protected under equitable mortgage doctrines.