

**EFREN V. MENDOZA AND INOCENCIA R. DE MENDOZA,
PETITIONERS, VS. PONCIANO S. REYES AND THE COURT OF
APPEALS, RESPONDENTS.**

G.R. No. L-31618. August 17, 1983

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

Questioned in these consolidated petitions for review on certiorari is the decision of the Court of Appeals, now Intermediate Appellate Court, reversing the decision of the Court of First Instance of Rizal, Quezon City Branch. The dispositive portion of the appellate decision reads:

"WHEREFORE, (a) the judgment appealed from is hereby reversed; (b) the deed of sale executed by appellee Julia de Reyes on March 3, 1961 in favor of appellees Efren V. Mendoza and Inocencia R. Mendoza, covering lots 5 and 6, Block No. 132 of Subdivision Plan Psd. 14841, situated at Retiro Street, Quezon City; is hereby declared null and void with respect to one-half share of appellant therein; (c) the Register of Deeds of Quezon City is hereby directed to cancel TCT Nos. 56110 and 56111, now covering said lots, and to issue, in lieu thereof, certificates of title in favor of appellant Ponciano S. Reyes for one-half (1/2) pro-indiviso and the spouses Efren V. Mendoza and Inocencia Mendoza for one-half (1/2) also pro-indiviso; (d) the appellees Mendozas are hereby ordered to pay unto the appellant the accrued rentals of the properties in litigation due to the share corresponding to said appellant, at the rate of P350.00 a month from March 3, 1961 until the finality of this decision, with legal interest thereon; and (e) said appellees are likewise ordered to pay unto the appellant the amount of THREE THOUSAND (P3,000.00) PESOS as attorney's fees, plus the costs in both instances."

This case originated with the filing of a complaint by Ponciano S. Reyes with the Court of First Instance of Rizal docketed as Civil Case No. Q-6905, for the annulment of a deed of sale of two parcels of land with their improvements, executed by his wife, Julia R. De Reyes as vendor and the spouses Efren V. Mendoza and Inocencia R. De Mendoza, as vendees. Ponciano S. Reyes averred that said properties were conjugal properties of himself and his wife and that she had sold them to petitioners "all by herself" and without his knowledge or consent.

Petitioners Efren V. Mendoza and Inocencia R. De Mendoza alleged in their answer that the properties were paraphernal properties of Julia R. de Reyes and that they had purchased the same in good faith and for adequate consideration. In a separate answer, petitioner Julia R. De Reyes, supported the spouses Mendozas' contentions.

In its decision, the Court of First Instance of Rizal dismissed the complaint and declared the properties in question exclusive and paraphernal properties of petitioner Julia R. De Reyes. It ruled that she could validly dispose of the same without the consent of her husband and that the Mendozas are innocent purchasers.

As earlier stated, the Court of Appeals reversed the decision of the court a quo.

The petitioners filed separate petitions for review on certiorari. Efren V. Mendoza and Inocencia R. De Mendoza

raised the following assignments of errors:

I

THE COURT OF APPEALS ERRED, NOT MERELY IN GIVING CREDENCE, BUT IN FACT IN CONSIDERING AT ALL, PROOF OF THE ALLEGED CONJUGAL CHARACTER OF THE PROPERTIES IN QUESTION, AND IN NOT INVOKING THE DOCTRINE OF ESTOPPEL TO RULE OUT ANY AND ALL SUCH PROOF ALTOGETHER.

II

THE COURT OF APPEALS ERRED IN FINDING PETITIONERS GUILTY OF BAD FAITH IN PURCHASING THE PROPERTIES LITIGATED FOR WITHOUT EVIDENCE OF SUCH FACT BEING PRESENTED AND ON THE STRENGTH MERELY OF A SIMPLE PRESUMPTION UNWARRANTEDLY DRAWN FROM ONE OF ITS OWN OBSCURE AND HARDLY AUTHORITATIVE RULINGS, AND AGAINST ABUNDANT, POSITIVE AND UNCONTRADICTED PROOF OF GOOD FAITH.

III

THE COURT OF APPEALS ERRED UPON EQUITABLE GROUNDS IN, IN EFFECT, GIVING JUDICIAL FIAT TO THE UNJUST ENRICHMENT OR BENEFIT OF ONE PERSON AT THE EXPENSE OF ANOTHER OR OTHERS.

On the other hand, Julia R. De Reyes made the following assignments of errors in her petition for review:

"THE COURT OF APPEALS ERRED IN DECLARING THAT THE PROPERTIES IN QUESTION ARE THE CONJUGAL PROPERTIES OF THE RESPONDENT PONCIANO S. REYES AND THE PETITIONER IN SPITE OF THE CATEGORICAL JUDICIAL DECLARATION AND ADMISSION BY SAID RESPONDENT THAT THE SAID PROPERTIES ARE THE EXCLUSIVE AND PARAPHERNAL PROPERTIES OF HIS WIFE, THE PETITIONER HEREIN.

"THE COURT OF APPEALS ERRED IN HAVING DECIDED THE CASE NOT IN ACCORDANCE WITH LAW AND THE APPLICABLE DECISIONS ON THE MATTER IN THE SENSE, PARTICULARLY, THAT THE ACT AND DECLARATION OF A PARTY AGAINST HIS INTERESTS CAN NOT BE CONTRADICTED BY HIM, AND IN SO DOING THE DECISION AMOUNTED TO SANCTIONING A PERJURED TESTIMONY."

On the first issue regarding the alleged paraphernal character of the disputed properties, we find that the records sustain the findings of the Court of Appeals.

The facts are:

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"Ponciano Reyes and Julia de Reyes – to be herein referred to as Ponciano and Julia alone for brevity – were married in 1915. The properties in question – consisting of Lots 5 and 6, Block No. 132, situated at Retiro Street, Quezon City – plus the buildings erected thereon, were bought from J. M. Tuason & Co., represented by Gregorio Araneta, Inc. – to be here-in mentioned as 'Araneta' – February, 1947 on installments basis (Testimony of Julia, t.s.n., p. 74, February 15, 1963). The first installment on Lot No. 5 was P69.96 and on Lot No. 6 was P102.00 (Exh. 'H' and uncontradicted testimony of Ponciano, t.s.n., p. 4, July 20, 1964).

"The spouses were always in arrears in the payment of the installments to Araneta due to lack of money (t.s.n., pp. 5-7, July 20, 1964) so they had to borrow money from the Rehabilitation Finance Corporation –

hereinafter referred to RFC for short. Thus, on November 26, 1948, they jointly obtained a loan of P12,000.00 from the RFC for the following exclusive purposes only: 'to complete the construction of one-storey residential building on 9th Street, La Loma, Quezon City; and to pay the balance of the price of the lot offered as security' which is Lot 5, (Deed of Mortgage, Exh. 'A-1'). Out of this loan, the amount of P5,292.00 was paid to Araneta as price of Lot 5. The corresponding deed of absolute sale thereof was executed by Araneta on November 27, 1948 (Exh. 'A'). On October 2, 1952, the spouses secured an additional loan of P8,000.00 from the RFC 'to pay the balance of the lot herein offered (Lot No. 6) as additional security, and to defray the expenses incurred in the repairs of the building' as the deed of mortgage so recites (Exh. 'B-1'). From the amount of this loan, the sum of P7,719.60, as price of Lot no. 6, was paid and the deed of absolute sale was forthwith executed by Araneta (Exh. 'B'). In the deed of sale, the vendee named is 'Julia de Reyes'. Her signatures appear over the caption 'vendee' and those of Ponciano under the phrase: 'with my marital consent.'

"As a result of these sales, Transfer Certificates of Title Nos. 8550 (Exh. 'F') and 19998 (Exh. 'G') were issued for Lots 5 and 6, respectively, by the Register of Deeds of Quezon City, in the name of 'JULIA REYES married to PONCIANO REYES.' The mortgage contracts (Exhs. 'A-1' and 'B-1') executed by the spouses in favor of the RFC were duly registered and annotated on the said Transfer Certificates of Title (Exhs. 'F' and 'G').

"As promised to the RFC, the spouses built a house and later a camarin on the two lots. The camarin was leased as a school building to the Quezon City Elementary School of La Loma for the period of two years (1950-51) at P500.00 a month. When the school was transferred to another place, the camarin was leased on December 10, 1952 to Mr. and Mrs. Mendoza, appellees, for ten years at P600.00 a month for the first year and P700.00 for the remaining nine years. The contract of lease was signed by Julia as lessor, with the marital consent of Ponciano. The camarin was converted into a movie house and used as such by the lessees. (Exh. 'G').

"In spite of the good rentals they had been receiving for the building, the spouses failed to pay seasonably their obligations to the RFC so, as late as November 28, 1958, they had to ask for an extension of 5 years from the Development Bank of the Philippines or DBP, as successor of the RFC, for the payment of an outstanding balance of P7,876.13 (Exh. 'D').

"On March 3, 1961, while Ponciano was absent attending his farm in Arayat, Pampanga, Julia sold absolutely the lots in question, together with their improvements to appellees Mendozas for the sum of P80,000.00 without the knowledge and consent of Ponciano (Exh. 'I' - Mendoza). At the same time the spouses were living separately and were not in speaking terms. By virtue of such sale, Transfer Certificates of Title Nos. 56110 and 56111 were subsequently issued in the name of the Mendozas."

The applicable provision of law is Article 153 of the Civil Code which provides:

"ART. 153. The following are conjugal partnership property:

"(1) That which is acquired by onerous title during the marriage at the expense of the common fund, whether the acquisition be for the partnership, or for only one of the spouses;"

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The presumption found in Article 160 of the Civil Code must also be overcome by one who contends that the disputed property is paraphernal. Article 160 provides:

"ART. 160. All property of the marriage is presumed to belong to the conjugal partnership, unless it be proved that it pertains exclusively to the husband or to the wife."

The presumption is a strong one. As stated in *Camia de Reyes v. Reyes de Ilano* (63 Phil. 629, 639), "it is sufficient to prove that the property was acquired during the marriage in order that the same may be deemed

conjugal property." And in *Laluan v. Malpaya* (65 SCRA 494, 504) we stated, "proof of acquisition of the property in dispute during the marriage suffices to render the statutory presumption operative."

There is no question that the disputed property was acquired by onerous title during the marriage. But were the funds used to buy the lot and build the improvements at the expense of the common fund?

The records show that the funds came from loans obtained by the spouses from the Rehabilitation Finance Corporation. Under Article 161 of the Civil Code, all debts and obligations contracted by the husband and the wife for the benefit of the conjugal partnership liabilities of the partnership.

As stated in *Castillo, Jr. v. Pasco* (11 SCRA 102, 107):

"x x x. The position thus taken by appellants is meritorious, for the reason that the deeds show the loans to have been made by Dr. Nicanor Jacinto and by Gabriel and Purificacion Gonzales, to both spouses Marcelo Castillo and Macaria Pasco, as joint borrow-ers. The loans thus became obligations of the conjugal partnership of both debtor spouses and the money loaned is logically conjugal property."

Citing *Palanca v. Smith Bell & Co.* (9 Phil. 131) interpreting Par. 3, Article 1401 of the old Civil Code, the Court in *Castillo v. Pasco* stated:

"If money borrowed by the husband alone on the security of his wife's property is conjugal in character, a fortiori should it be conjugal when borrowed by both spouses. The reason obviously is that the loan becomes an obligation of the conjugal partnership which is the one primarily bound for its repayment."

To rebut the presumption and the evidence of the conjugal character of the property, the petitioners have only the testimony of Julia de Reyes to offer.

Mrs. Reyes testified that she bought the two parcels of land on installment basis and that the first payment of a little less than P2,000.00 came from her personal funds. The receipt issued by Araneta, however, shows that the first installment on one lot was only P69.96 and on the other lot, P102.00. Mrs. Reyes also testified that she paid the entire purchase price and the construction of the buildings from her personal funds and money borrowed from the Philippine Bank. The mortgage contracts, however, show that the properties were paid out of the loan from RFC.

As a matter of fact, Mrs. Reyes' testimony about a loan from Mrs. Rosa Borja, the sale of a lot in Cabiao, Nueva Ecija given by her mother, and the loan from PNB only emphasize the conjugal nature of the disputed properties because she stated that these sums were also used to put up their gravel and sand business, a poultry farm, and a banana plantation plus a jeepney transportation line although according to her, every business venture handled by her husband failed. The two were establishing businesses and buying properties together as husband and wife, in happier times.

The Court of Appeals ruled upon the testimony of Julia De Reyes as follows:

"Julia's testimony that she had sold her Cabiao property to Rosa Borja is not supported by the deed of sale (Exh. 'I') which shows that the property was sold to Encarnacion Goco and Mariano Robles. Again, her claim that said Cabiao property was donated to her by her mother is negated by the deeds of sale (Exhs. 'J' and 'K') which show that said property was donated to her and her two brothers, Pablo and Jose del Rosario, who afterwards sold their participation thereof to the spouses, Ponciano and Julia.

"Her claim of exclusive ownership is further belied by the Income Tax Returns (Exhs. 'N' to 'N-3') which she herself prepared and filed in behalf of the conjugal partnership wherein she made the statement that the rentals paid by her co-appellees were income of the conjugal partnership; and by the Income Tax Returns (Exhs. 'O' to 'O-4') also filed by her for the conjugal partnership, where she made to appear the properties in question as

capital assets of the conjugal partnership. It should be noted that Julia did not care to deny the truth of said statements. Neither did she endeavor to offer any explanation for such damaging averments."

Petitioners also raised the issue of estoppel in their assignments of errors. They alleged:

"Even so, petitioners would have small legal cause to dispute the respondent Court's giving credence to the husband's pretensions did there not also exist in the record plain and indisputable evidence that he had on a former occasion both solemnly confirmed the paraphernal character of the very properties now in question and disclaimed the existence of any conjugal partnership funds or properties of himself and his wife." (Petitioner's Brief, L-31616, p.7).

It turns out that in 1948, Ponciano Reyes was sued in the then Municipal Court of Manila for ejectment from a leased hotel that he was then operating. Judgment was rendered against Reyes in favor of the lessors, the brothers named Gocheco. Having failed in a bid to garnish the rentals of the disputed buildings because the municipal court stated that it had no jurisdiction to decide the paraphernal or conjugal nature of the properties, the Gocheco brothers filed Civil Case No. 24772 for revival of judgment with the Court of First Instance of Manila.

It was in this latter case where Mr. Reyes stated in his special defenses that he and his wife never had any kind of fund which could be called conjugal partnership funds, that they acted independently from one another whenever either one engaged in any business, and –

"That the herein plaintiff has not limited his action in the present case against defendant Ponciano S. Reyes as he did in the original case above-mentioned, that is, Civil Case No. 7524 of the Manila Municipal Court which the instant case derived from, but has included the defendant's wife Julia Reyes, with the only intended purpose and design of going over and against the paraphernal properties of said Julia Reyes." (par. 4, Special Defenses, Answer, Exh. 11; Petitioner's Brief, L-31618, pp. 9-10).

Article 1437 of the Civil Code on estoppel involving immovable property provides:

"ART. 1437. When in a contract between third persons concerning immovable property, one of them is misled by a person with respect to the ownership or real right over the real estate, the latter is precluded from asserting his legal title or interest therein, provided all these requisites are present:

"(1) There must be fraudulent representation or wrongful concealment of facts known to the party estopped;

"(2) The party precluded must intend that the other should act upon the facts as misrepresented;

"(3) The party misled must have been unaware of the true facts; and

"(4) The party defrauded must have acted in accordance with the misrepresentation."

The principal of estoppel rests on the rule that whenever a party has, by his declaration, act or omission, intentionally and deliberately led the other to believe a particular thing true and to act, upon such belief, he cannot, in any litigation arising out of such declaration, act or omission, be permitted to falsify it. (*Sotto v. Teves*, 86 SCRA 154).

Estoppel can only be invoked between the person making the misrepresentation and the person to whom it was addressed. It is essential that the latter shall have relied upon the misrepresentation and had been influenced and misled thereby.

There is no showing that the respondent had intentionally and deliberately led the petitioners Mendozas to believe what was contained in the pleading, "Exh. 11", and to make them act upon it. As observed by the respondent, they were not even a party in the case where the said pleading was filed. Neither is there any assertion by the Mendozas that the said pleading was shown to them or that they happened to see it or to have any knowledge

about it before they purchased the properties in question. The alleged misrepresentation was never addressed to the petitioners, much less made with the intention that they would act upon it. More-over, there is no specific and clear reference to the disputed lots as paraphernal in the cited answer. The petitioners cannot invoke estoppel in these petitions.

May the Mendoza spouses be considered buyers in good faith?

The proof that the petitioners in L-31618 are purchasers in good faith comes from the testimony of Mrs. Inocencia Mendoza herself. Mrs. Mendoza testified that Mrs. Julia R. De Reyes assured her that the properties were paraphernal, that her lawyer verified the titles being in the name of Mrs. Julia R. De Reyes, and that she never dealt with Mr. Ponciano Reyes when she and her husband were still renting the properties they later purchased. On cross-examination, Mrs. Mendoza admitted that she learned of the RFC mortgage when the lots were about to be purchased.

Property acquired during a marriage is presumed to be conjugal and the fact that the land is later registered in the name of only one of the spouses does not destroy its conjugal nature. (*Bucoy v. Paulino*, 23 SCRA 249). Section 46 of P.D. 1529, the Property Registration Decree, reiterates the proviso in Section 70 of the former Land Registration Act that registration cannot be construed to relieve registered land or the owners thereof from any rights incident to the relation of husband and wife. (See also: *Marigsa v. Macabuntoc*, 17 Phil. 107, 109; *Romero de Pratts v. Menzi & Co., Inc.*, 53 Phil. 51, 54; *Padilla v. Padilla*, 74 Phil. 377, 382-384; *Vitug v. Montemayor*, 91 Phil. 286, 290, 291, citing *Guinguing v. Abuton*, 48 Phil. 144; *Sideco v. Aznar*, 92 Phil. 952, 961-962, citing *Flores v. Flores*, 48 Phil. 288; *Guinoo v. Court of Appeals*, 97 Phil. 235, 238; *Silos v. Ramos*, 97 Phil. 263; 270, citing *Commonwealth v. Sandiko*, 72 Phil. 258, 260; and *Alvarez v. Espiritu*, 14 SCRA 893).

If the fact that property acquired during marriage was registered in the name of the husband alone does not affect its conjugal nature, neither does registration in the name of the wife. Any person who buys land registered in the married name of the wife is put on notice about its conjugal nature.

The mortgage contracts (Exhs. "A-1" and "B-1") executed by the spouses Ponciano S. Reyes and Julia Reyes in favor of RFC were duly registered in the Registry of Deeds of Quezon City and seasonably annotated on transfer certificates of title Nos. 8550 (Exh. "F") and 19998 (Exh. "G"), which were issued in the name of Julia Reyes "married to Ponciano Reyes". Their dates of inscription were November 29, 1948 and October 11, 1952, respectively. On December 10, 1952, the lots and the building were leased by Julia, with the marital consent of Ponciano to the petitioners Mendozas. The contract of lease was registered in the Registry of Deeds and was annotated in the transfer certificates of title on May 5, 1952. At that time, the RFC mortgages were already noted at the back of the transfer certificates of title. The petitioners, therefore, unquestionably charged with notice of the existence and contents of said mortgages, their joint execution by the spouses Ponciano Reyes and Julia Reyes and the application of the loans to the payment to Araneta of the purchase price of the lots in question.

Furthermore, the consent of Ponciano Reyes to the mere lease of the properties was demanded by the Mendozas allegedly for their own protection, yet when it came to the deed of sale which entailed a greater transfer of rights such consent was not required.

The final argument refers to the alleged unjust enrichment by Ponciano Reyes if the deed of sale is nullified. The petitioners admit that the benefit including that represented by one-half of the purchase price, accrued not to the respondent but to his wife. Since Mr. Reyes did not receive any part of the proceeds of the sale and his wife has been aligning herself with the Mendoza couple, there could be no unjust enrichment as alleged.

The assignments of errors have no merit.

WHEREFORE, the petitions for review on certiorari are hereby DENIED for lack of merit. The judgment of the Court of Appeals is affirmed.

SO ORDERED.

Teehankee, Acting C.J., Melencio-Herrera, Plana, Vasquez, and Relova, JJ., concur.

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