

AVELINO BALURAN, PETITIONER, VS. HON. RICARDO V. NAVARRO, PRESIDING JUDGE, COURT OF FIRST INSTANCE OF LLOCOS NORTE, BRANCH I AND ANTONIO OBEDENCIO, RESPONDENTS.*G.R. No. L-44428. September 30, 1977*Read online (full-text search, related cases, audio case brief): <https://batas.org/library/2af3d46b7753/>

Spouses Domingo Paraiso and Fidela Q. Paraiso were the owners of a residential lot of around 480 square meters located in Sarrat, Ilocos Norte. On or about February 2, 1964, the Paraiso executed an agreement entitled "BARTER" whereby as party of the first part they agreed to "barter and exchange" with spouses Avelino and Benilda Baluran their residential lot with the latter's unirrigated riceland situated in Sarrat, Ilocos Norte, of approximately 223 square meters without any permanent improvements, under the following conditions:

"1. That both the Party of the First Part and the Party of the Second Part shall enjoy the material possession of their respective properties; the Party of the First Part shall reap the fruits of the unirrigated riceland and the Party of the Second Part shall have a right to build his own house in the residential lot.

"2. Nevertheless, in the event any of the children of Natividad P. Obedencio, daughter of the First Part, shall choose to reside in this municipality and build his own house in the residential lot, the Party of the Second Part shall be obliged to return the lot such children with damages to be incurred.

"3. That neither the Party of the First Part nor the Party of the Second Part shall encumber, alienate or dispose of in any manner their respective properties as bartered without the consent of the other.

"4. That inasmuch as the bartered properties are not yet registered in accordance with Act No. 496 or under the Spanish Mortgage Law, they finally agreed and covenant that this deed be registered in the Office of the Register of Deeds of Ilocos Norte pursuant to the provisions of Act No. 3344 as amended." (P. 28, rollo)

On May 6, 1975 Antonio Obendencio filed with the Court of First Instance of Ilocos Norte the present complaint to recover the above-mentioned residential lot from Avelino Baluran claiming that he is the rightful owner of said residential lot having acquired the same from his mother, Natividad Paraiso Obedencio, and that he needed the property for purposes of constructing his house thereon inasmuch as he had taken residence in his native town, Sarrat. Obedencio accordingly prayed that he be declared owner of the residential lot and that defendant Baluran be ordered to vacate the same forfeiting his (Obedencio) favor the improvements defendant Baluran had built in bad faith.[1]

Answering the complaint, Avelino Baluran alleged inter alia (1) that the "barter agreement" transferred to him the ownership of the residential lot in exchange for the unirrigated riceland conveyed to plaintiff's predecessor-in-interest, Natividad Obedencio, who in fact is still in possession thereof; and (2) that the plaintiff's cause of action if any had prescribed.[2]

At the pre-trial, the parties agreed to submit the case for decision on the basis of their stipulation of facts. It was likewise admitted that the aforementioned residential lot was donated on October 4, 1974 by Natividad Obedencio to her son Antonio Obedencio, and that since the execution of the agreement of February 2, 1964 Avelino Baluran was in possession of the residential lot. paid the taxes of the property, and constructed a house thereon with an

assessed value of P250.00.[3]

On November 8, 1975, the trial Judge Ricardo Y. Navarro rendered a decision the dispositive portion of which reads as follows:

xxx xxx xxx

"Consequently, the plaintiff is hereby declared owner of the property in question; the defendant is hereby ordered to vacate the same. With costs against defendant."

Avelino Baluran to whom We shall refer as petitioner, now seeks a review of that decision under the following assignment of errors:

"I —

The lower Court erred in holding that the barter agreement did not transfer ownership of the Sot in suit to the petitioner.

"II —

The lower Court erred in not holding that the right to re-barter or re-exchange of respondent Antonio Obedencio had been barred by the statute of limitation." (p. 14, *ibid.*)

The resolution of this appeal revolves on the nature of the undertaking or contract of February 2, 1964 which is entitled "Barter Agreement."

It is a settled rule that to determine the nature of a contract courts are not bound by the name or title given to it by the contracting parties.[4] This Court has held that contracts are not what the parties may see fit to call them but what they really are as determined by the principles of law.[5] Thus, in the instant case, the use of the term "barter" in describing the agreement of February 2, 1964, is not controlling. The stipulations in said document are clear enough to indicate that there was no intention at all on the part of the signatories thereto to convey the ownership of their respective properties; all that was intended, and it was so provided in the agreement, was to transfer the material possession thereof, (condition No. 1, see page 1 of this Decision) In fact, under condition No. 3 of the agreement, the parties retained the right to alienate their respective properties which right is an element of ownership.

With the material possession being the only one transferred, all that the parties acquired was the right of usufruct which in essence is the right to enjoy the property of another.[6] Under the document in question, spouses Paraiso would harvest the crop of the unirrigated riceland while the other party, Avelino Baluran, could build a house on the residential lot, subject, however, to the condition, that when any of the children of Natividad Paraiso Obedencio, daughter of spouses Paraiso, shall choose to reside in the municipality and build his house on the residential lot, Avelino Baluran shall be obliged to return the lot to said children "with damages to be incurred." (Condition No. 2 of the Agreement) Thus, the mutual agreement — each party enjoying "material possession" of the other's property — was subject to a resolutive condition the happening of which would terminate the right of possession and use.

A resolutive condition is one which extinguishes rights and obligations already existing.[7] The right of "material possession" granted in the agreement of February 2, 1964, ends if and when any of the children of Natividad Paraiso Obedencio (daughter of spouses Paraiso, party of the First Part) would reside in the municipality and build his house on the property. Inasmuch as the condition imposed is not dependent solely on the will of one of the parties to the contract — the spouses Paraiso — but is partly dependent on the will of third persons — Natividad

Obedencio and any of her children — the same is valid.[8]

When there is nothing contrary to law, morals, and good customs or public policy in the stipulations of a contract, the agreement constitutes the law between the parties and the latter are bound by the terms thereof.[9]

Art. 1306 of the Civil Code states:

"Art. 1306. The contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy."

"Contracts which are the private laws of the contracting parties, should be fulfilled according to the literal sense of their stipulations, if their terms are clear and leave no room for doubt as to the intention of the contracting parties, for contracts are obligatory, no matter what their form may be, whenever the essential requisites for their validity are present." (Philippine American General Insurance Co., Inc. vs. Mutuc, 61 SCRA 22)

The trial court therefore correctly adjudged that Antonio Obedencio is entitled to recover the possession of the residential lot pursuant to the agreement of February 2, 1964.

Petitioner submits under the second assigned error that the cause of action if any of respondent Obedencio had prescribed after the lapse of four years from the date of execution of the document of February 2, 1964. It is argued that the remedy of plaintiff, now respondent, was to ask for re-barter or re exchange of the properties subject of the agreement which could be exercised only within four years from the date of the contract under Art. 1606 of the Civil Code.

The submission of petitioner is untenable. Art. 1 606 of the Civil Code refers to conventional redemption which petitioner would want to apply to the present situation. However, as We stated above, the agreement of the parties of February 2, 1964, is not one of barter, exchange or even sale with right to repurchase, but is one of or akin the other is the use or material possession or enjoyment of each other's real property.

Usufruct may be constituted by the parties for any period of time and under such conditions as they may deem convenient and beneficial subject to the provisions of the Civil Code, Book II, Title VI on Usufruct. The manner of terminating or extinguishing the right of usufruct is primarily determined by the stipulations of the parties which in this case now before Us is the happening of the event agreed upon. Necessarily, the plaintiff or respondent Obedencio could not demand for the recovery of possession of the residential lot in question, not until he acquired that right from his mother, Natividad Obedencio, and which he did acquire when his mother donated to him the residential lot on October 4, 1974. Even if We were to go along with petitioner in his argument that the fulfillment of the condition cannot be left to an indefinite, uncertain period, nonetheless, in the case at bar, the respondent, in whose favor the resolutory condition was constituted, took immediate steps to terminate the right of petitioner herein to the use of the lot. Obedencio's present complaint was filed in May of 1975, barely several months after the property was donated to him.

One last point raised by petitioner is his alleged right to recover damages under the agreement of February 2, 1964. In the absence of evidence, considering that the parties agreed to submit the case for decision on a stipulation of facts, We have no basis for awarding damages to petitioner.

However, We apply Art. 579 of the Civil Code and hold that petitioner will not forfeit the improvement he built on the lot but may remove the same without causing damage to the property.

"Art. 579. The usufructuary may make on the property held in usufruct such useful improvements or expenses for mere pleasure as he may deem proper, provided he does not alter its form or substance; but he shall have no right to be indemnified therefor. He may, however, removed such improvements, should it be possible to do so

without damage to the property." (italics supplied)

Finally, We cannot close this case without touching on the unirrigated riceland which admittedly is in the possession of Natividad Obedencio.

In view of our ruling that the "barter agreement" of February 2, 1964, did not transfer the ownership of the respective properties mentioned therein, it follows that petitioner Baluran remains the owner of the unirrigated riceland and is now- entitled to its possession. With the happening of the resolutive condition provided for in the agreement, the right of usufruct of the parties is extinguished and each is entitled to a return of his property. It is true that Natividad Obedencio who is now in possession of the property and who has been made a party to this case cannot be ordered in this proceeding to surrender the riceland. But inasmuch as reciprocal rights and obligations have arisen between the parties to the so called "barter agreement," We hold that the parties and/or their successors-in-interest are duty bound to effect a simultaneous transfer of the respective properties if substantial justice is to be effected.

WHEREFORE, judgment is hereby rendered: 1) declaring the petitioner Avelino Baluran and respondent Antonio Obedencio the respective owners of the unirrigated riceland and residential lot mentioned in the "Barter Agreement" of February 2, 1964; 2) ordering Avelino Baluran to vacate the residential lot and remove the improvements built by him thereon, provided, however, that he shall not be compelled to do so unless the unirrigated riceland shall have been restored to his possession either on volition of the party concerned or through judicial proceedings which he may institute for the purpose.

Without pronouncement as to costs.

SO ORDERED.

Teehankee (Chairman), Makasiar, Martin, Fernandez, and Guerrero, JJ., concur.

[1] PP. 21-22. rollo.

[2] P. 23, *ibid*.

[3] pp. 26-27. *ibid*.

[4] *Shell Co. of the Philippines Ltd. vs. Firemen's Insurance Co. of Newark, N.J., et al*, 100 Phil. 757. 764 (1957).

[5] *Borromeo vs. Court of Appeals, et al.*, 47 SCRA 65 (1972).

[6] Art. 562 of the Civil Code provides:

"ART. 562. Usufruct gives a right to enjoy the property of another with the obligation of preserving its form and substance, unless the title constituting it or the law otherwise provides."

[7] Tolentino. *Commentaries on the Civil Code of the Philippines*, Vol. IV. pp. 140. 143 1973 ed.

[8] *Ibid.*, pp. 148-149.

[9] *Iñigo vs. National Abaca & Other Fibers Corp.*, 95 Phil 875; *Ramos vs. Central Bank of the Phil.* 41 SCRA 565; *Rodrigo Enriquez et al. vs. Socorro A. Ramos*. L-23616. September 30. 1976. 73 SCRA 116.

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