

FELIX GARCIA, PLAINTIFF-APPELLEE, VS. ISABEL VDA. DE ARJONA, CRISOSTOMO ARJONA, JOSE ARJONA, ORLANDO ARJONA, FELIZARDO ARJONA, FLOCERFINA ARJONA, JOSEFINA ARJONA, LUZ ARJONA, NA...

G.R. No. L-7279. October 29, 1955

Ponente: CONCEPCION, J.

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CONCEPCION, J.:

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This is an action to declare that an obligation evidenced by Exhibit A, which is said to be a deed of mortgage guaranteeing the payment of an alleged loan, has been discharged by the judicial consignment of the sum of P4,350.02, and to compel the widow and descendants of Marcelino Arjona, the alleged original mortgagee, to execute the corresponding deed of release and to deliver the mortgaged properties to the plaintiff, as well as to render accounts of the fruits of said properties and pay the costs. The defendants denied the existence of Exhibit A and pleaded acquisitive prescription as well as the statute of limitations of action. After due trial, the Court of First Instance of Laguna rendered a decision;

"(a) Declaring that the contract entered into between the plaintiff and the deceased Marcelino Arjona, predecessor-in-interest of the defendants, was one of loan that the document Exhibit 'A' is merely an equitable mortgage or antichresis designed to guarantee the payment of the said loan of P4,350.02 contracted by the plaintiff from the deceased Marcelino Arjona;

"(b) Ordering the defendants to receive from the Clerk of Court the amount deposited by plaintiff as payment price of the five parcels of land in question, and to execute upon receiving the said amount responding deed reconveying the aforesaid to the plaintiff, together with the posse the aforementioned five parcels of land;

"(c) Declaring that the interest on the loan is considered paid by the fruits of the land received by the deceased Marcelino Arjona and his predecessor-in-interest, and dismissing plaintiff's second cause of action;

"(d) Dismissing plaintiff's third cause of action;

"(e) Dismissing defendants' counter-claim, against the plaintiff;

Without special pronouncement as to costs" (Record on Appeal p. 42)

The appeal taken by the defendants from this decision raises the following questions, namely: (1) Does Exhibit A evidence a mortgage or a promise to sell? (2) Is the action barred by the statute of limitations? (3) Have the defendants acquired title, to the properties in dispute, by adverse possession?

Said properties consist of five (5) lots situated in the sitios of Bubucal, Canlurang Bongcol, Coloy and .Dita, municipality of Liliw, province of Laguna, and were formerly covered by Tax Delcarations Nos. 16502, 16564, 14646 16572 and 16563, all in the name of plaintiff Felix Garcia, as early as the year 1921. To satisfy the judgment rendered against him in civil case No. 2447 of the Court of First Instance of Laguna, said lots were, on November 20, 1929, sold, at public auction, to the plaintiff in said case, in whose favor the corresponding certificate of sale was executed, by the provincial sheriff of Laguna, on December 14, 1929, On November 20, 1930, Francisco Arjona redeemed four (4) of said lots, and Marcelino Arjona redeemed the fifth lot, upon the request of Felix Garcia, who promised to reimburse later on the amounts paid by the Arjonas.

In 1932, the first four (4) lots were redeemed from Francisco Arjona, with money borrowed by Felix Garcia from Marcelino Arjona, with the understanding that the refund of the sums thus spent by Marcelino Arjona would be guaranteed by a mortgage on the properties above mentioned.

Hence, on March 3, 1932. Felix Garcia and Marcelino Arjona executed the deed Exhibit A, in Tagalog, which had been prepared by Engracio Arjona, Upon the request of his brother, Marcelino Arjona, and was notarized on October 15 of the same year. It is stipulated therein that Marcelino Arjona owns (may inaarin) said five (5) parcels of land, for which he had spent the aggregate sum of P4,350.02; that whenever this amount shall be reimbursed (maisasauli), either on installment or in lump sum, to Marcelino Arjona, the latter shall execute the corresponding deed of sale (venta real) in favor of Felix Garcia, who would have to pay interest, at the rate of 6% per annum, as long as the sum above mentioned were not fully satisfied; and that if Marcelino Arjona shall find it necessary to dispose of said lots, before full payment by Felix Garcia, the former could sell the lots aforementioned after giving due notice to Garcia.

Upon the execution of Exhibit A, Felix Garcia - who, despite the auction sale in 1929 and the redemption by the Arjonas in 1930, had remained in possession of the properties in question - delivered the same to Marcelino Arjona, in whose name new tax declarations were issued subsequently. Upon the death of Marcelino Arjona on February 8, 1941, said lots were held by the judicial administrator of his estate, his above mentioned brother Engracio Arjona. In 1951, the latter asked Felix Garcia to redeem the properties for P10,000.00, and delivered to him a copy of Exhibit A. Before any definite agreement could be reached, Engracio Arjona died in August of the same year. Several months later, or on February 6, 1952, Felix Garcia offered to redeem the lots in dispute, but the widow and the children of Marcelino Arjona, who succeeded Engracio Arjona, in the possession of said lots, rejected the offer. So Felix Garcia made a judicial consignment of the sum of P4,350.02 and instituted this case in the Court of First Instance of Laguna on March 5, 1952.

Although, at first, the defendants denied the authenticity of Exhibit A, its genuineness is now admitted. However, they claim that the contract incorporated therein is not a loan guaranteed by an equitable mortgage, but a mere promise to sell, the enforcement of which by action is barred by the statute of limitations and by the acquisition of title to the lots in question by adverse possession.

With reference to the nature of the agreement between the parties, the lower court had the following to say;

"In the light of the forgoing facts and circumstances, what was the nature of the contract entered into between the plaintiff and the deceased Marcelino Arjona, predecessor-in-interest of the defendants? What was the true intention of the parties at the time of the execution of this instrument Exhibit A, also Exhibit 3?

"The terms used in the instrument, as well as the circumstances surrounding the contract between the plaintiff

and the deceased Marcelino Arjona, show clearly that the transaction was one of loan and that Exhibit A was executed by the parties for the purpose of securing the payment by the plaintiff of the loan of P4,350.02 which he obtained from the deceased Marcelino Arjona, as shown by the following circumstances;

"1. That the terms used in the instrument strongly indicate that the transaction was one of loan secured by mortgage, by the use of words and phrases, as: 'the amount spent by Marcelino Arjona on the said property', 'that anytime that the said amount can be returned (maisasaui) to Mr. Marcelino Arjona', 'either through installments or in lump sum', 'the amount ... shall bear on interest of 6% per annum', 'and this shall continue until there is still an amount left with Mr. Garcia', 'should time come when Mr. Garcia has not yet returned (nasasaulan)', that even if the enjoyment (pakikinabang) of Mr. Arjona is going on. (patuloy) on the said properties, the said Mr. Garcia shall continue also to pay the interest of 6% per annum, on all sums which he should pay or should be paid.'

"2. That the plaintiff was in urgent need of money. When the plaintiff asked for the loan in 1932 he was in urgent need of money to repay Francisco Arjona who had redeemed in 1930 the four parcels of land. To the amount of the loan was also included the sum advanced by Marcelino Arjona to redeem the fifth parcel of land.

"3. That the price in relation to the value of the property is grossly inadequate. In 1932 the five parcels of land had a total assessed value of P9,050.00 as shown by the tax declarations presented in evidence. Their market value was considerably higher. The sum of P4,350.02 was, therefore, grossly inadequate in relation to the value of the property.

"4. That the said amount of P4,350.02 was invested in the property involved - it was used by the plaintiff to repay Francisco Arjona who had previously redeemed four parcels, and said loan included the sum of money which Marcelino Arjona had advanced, to redeem the fifth parcel plus the sum he paid for land taxes.

"5. That the transaction had its origin in a borrowing of money. The five parcels of land of the plaintiff were sold at a Sheriff's sale because he was unable to satisfy the judgment in Civil Case No. 2447. Unable to redeem, his property within the legal period of redemption, the plaintiff asked the Arjonas to redeem the property promising to repay them. Two years later, the plaintiff finding himself without funds to repay the Arjonas, and in order not to lose his property altogether, the plaintiff had to ask for the loan of P4,350.02 in order to repay Francisco Arjona and include in said loan the sum previously advanced by Marcelino Arjona to redeem the fifth parcel.

"6. That the plaintiff remained bound for the repayment of the money received. This circumstance, clearly stated in the document, strongly tends to show that a mortgage only was intended.

"7. That the plaintiff was, under the terms of the agreement, obligated to pay interest on the loan at the rate of 6% per annum. Payment of interest is a usual condition in loan transactions,

"8. That the instrument provides for the return of the amount 'either through installments or in lump sum'. Payment by installments is, likewise, characteristic of loan transactions.

"Furthermore, uncontradicted evidence shows that the instrument in question was prepared by Engracio Arjona at the behest of the deceased Marcelino Arjona, one of the parties to the instrument.

"The party who draws up a contract in which obscure terms or clauses appear, is the one responsible for the obscurity or ambiguity; they must therefore, be construed against him. (Erlanger & Galinger vs. Suarez [C.A.] 35 Off. Gaz. 2082).

"In the light of the foregoing authority, Exhibit A should be interpreted against the interests of the deceased Marcelino Arjona and given a construction favorable to the plaintiff." (Record on Appeal, pp. 32-35.)

We agree with the conclusion thus reached by His Honor the Trial Judge.

Appellants insist that Felix Garcia could not have constituted the mortgage in favor of Marcelino Arjona, because the latter owned the lots in dispute, ever since he redeemed one (1) lot from the purchaser at the auction sale and four (4) lots from Francisco Arjona. However, this argument begs the very question in dispute, for it assumes precisely the correctness of appellants' pretense. What is more, it is contrary to the uncontradicted evidence of record, which shows that Marcelino Arjona made said redemption because Felix Garcia requested him to supply, by way of loan, the amount necessary therefor, with the understanding that its reimbursement 'would be guaranteed by a mortgage on the properties in dispute. Indeed, appellants' pretense is refuted, not only by the circumstances pointed out in the decision appealed from, but, also, by the following facts, namely: (1) Despite the auction, sale effected on November 20, 1929, and the redemption made by Francisco Arjona and Marcelino Arjona on November 20, 1930, Felix Garcia remained in possession of the properties in litigation up to March 3, 1932, when Exhibit a was executed, (2) In 1951, Engracio Arjona, as judicial administrator of the estate of the deceased Marcelino Arjona, asked Felix Garcia to redeem said properties, which is inconsistent with the alleged promise to sell.

It is urged, also, that the present action is barred by the statute of limitations over 20 years having elapsed since the execution of Exhibit a. It appearing, however, that the intention of the parties thereto was merely to constitute a mortgage in order to guarantee the payment of a loan, we must conclude that Marcelino Arjona held the properties in dispute, from 1932 to 1941, in conformity with the terms of said agreement, that is to say, as a mere mortgagee, in the absence of satisfactory evidence to the contrary, and no such evidence has been introduced, or even offered by appellants herein.

Neither is there any evidence to the effect that the possession of Engracio Arjona from 1941 to 1951 - as administrator of the estate of Marcelino Arjona - was adverse to plaintiff Felix Garcia. In fact, considering that Exhibit A had been prepared precisely by Engracio Arjona, he must be deemed to be aware of the intent of the parties thereto and to have held said properties in conformity with such intent. For this reason, and because his possession must be regarded a continuation of that of Marcelino Arjona, the possession of Engracio Arjona must be held to be identical in nature to that of Marcelino Arjona, namely, as agent of the mortgagee, not adverse to plaintiff herein.

In other words, the possession of Marcelino Arjona and Engracio Arjona was not in derogation of the rights of plaintiff herein. Accordingly, the latter had no cause of action against them and the statute of limitations could not have run against him for said statute begins to run only from the accrual of the cause of action.

It is, likewise, apparent, from the foregoing, that appellants' plea of acquisitive prescription can not be sustained, for said possession of Marcelino Arjona and Engracio Arjona from 1932 to 1951 was not adverse in character, and the possession of defendants herein, after the death of Engracio Arjona in August, 1951, even if adverse, could not have ripened into a title before the institution of this case on March 5, 1952.

WHEREFORE, the decision appealed from is hereby affirmed, with costs against the defendants-appellants.

Paras, C.J., Bengzon, Padilla, Montemayor, Reyes, Jugo, Bautista Angelo, Labrador, and Reyes, J.B.L., JJ., concur.

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