

MIGUEL MAPALO, ET AL., PETITIONERS, VS. MAXIMO MAPALO, ET AL., RESPONDENTS.*G.R. Nos. L-21489 and L-21628. May 19, 1966*

Ponente: BENGZON, J.P., J.

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The spouses Miguel Mapalo and Candida Quiba, simple illiterate farmers, were registered owners, with Torrens title certificate O.C.T. No. 46503, of a 1,635-square-meter residential land in Manaoag, Pangasinan. Said spouses-owners, out of love and affection for Maximo Mapalo—a brother of Miguel who was about to get married—decided to donate the eastern half of the land to him. O.C.T. No. 46503 was delivered. As a result, however, they were deceived into signing, on October 15, 1936, a deed of absolute sale over the entire land in his favor. Their signatures thereto were procured by fraud, that is, they were made to believe by Maximo Mapalo and the attorney who acted as notary public who "translated" the document, that the same was a deed of donation in Maximo's favor covering one half (the eastern half) of their land. Although the document of sale stated a consideration of Five Hundred (P500.00) Pesos, the aforesaid spouses did not receive anything of value for the land. The attorney's misbehaviour was the subject of an investigation but its result does not appear on record. However we took note of the fact that during the hearing of these cases, said notary public was present but did not take the witness stand to rebut the plaintiffs' testimony supporting the allegation of fraud in the preparation of the document.

Following the execution of the afore-stated document, the spouses Miguel Mapalo and Candida Quiba immediately built a fence of permanent structure in the middle of their land segregating the eastern portion from its western portion. Said fence still exists. The spouses have always been in continued possession over the western half of the land up to the present.

Not known to them, meanwhile, Maximo Mapalo, on March 15, 1938, registered the deed of sale in his favor and obtained in his name Transfer Certificate of Title No. 12829 over the entire land. Thirteen years later, on October 20, 1951, he sold for P2,500.00 said entire land in favor of Evaristo, Petronila, Pacifico and Miguel, all surnamed Narciso. The sale to the Narcisos was in turn registered on November 5, 1951 and Transfer Certificate of Title No. 11350 was issued for the whole land in their names.

The Narcisos took possession only of the eastern portion of the land in 1951, after the sale in their favor was made. On February 7, 1952 they filed suit in the Court of First Instance of Pangasinan (Civil Case No. 11991) to be declared owners of the entire land ; for possession of its western portion; for damages; and for rentals. It was brought against the Mapalo spouses as well as against Floro Guieb and Rosalia Mapalo Guieb who had a house on the western part of the land with the consent of the spouses Mapalo and Quiba.

The Mapalo spouses filed their answer with a counterclaim on March 17, 1952, seeking cancellation of the Transfer Certificate of Title of the Narcisos as to the western half of the land, on the grounds that their (Mapalo spouses) signatures to the deed of sale of 1936 were procured by fraud and that the Narcisos were buyers in bad

faith. They asked for reconveyance to them of the western portion of the land and issuance of a Transfer Certificate of Title in their names as to said portion.

In addition, the Mapalo spouses filed on December 16, 1957 their own complaint in the Court of First Instance of Pangasinan (Civil Case No. U-133) against the afore-stated Narcisos and Maximo Mapalo. They asked that the deeds of sale of 1936 and of 1951 over the land in question be declared null and void as to the western half of said land.

Judge Amado Santiago of the Court of First Instance of Pangasinan located in the municipality of Urdaneta tried the two cases jointly. Said court rendered judgment on January 18, 1961, as follows:

"WHEREFORE, judgment is hereby rendered as follows, to wit:

"(a) dismissing the complaint in Civil Case No. 11991;

"(b) declaring Exhibit A, plaintiffs in Case No. 11991 and Exhibit 1, defendants in Case No. U-133 as a donation only over the eastern half portion of the above-described land, and as null and void with respect to the western half portion thereof;

"(c) declaring as null and void and without legal force and effect Transfer Certificate of Title No. .12829 issued in favor of Maximo Mapalo as regards the western half portion of the land covered therein;

"(d) declaring as null and void Transfer Certificate of Title No. 11350 in the names of the Narcisos insofar as the western half portion of the land covered therein is concerned.

"(e) ordering the spouses Mapalo and Quiba and the Narcisos to have the above-described land be subdivided by a competent land surveyor and that the expenses incident thereto be borne out by said parties pro rata;

"(f) ordering the Register of Deeds of Pangasinan to issue in lieu of Transfer Certificate of Title No. 11350 two new titles upon completion of the subdivision plan, one in favor of the spouses Miguel Mapalo and Candida Quiba covering the western half portion and another for the Narcisos covering the eastern half portion of the said land, upon payment of the legal fees; meanwhile, the right of the spouses Mapalo and Quiba is hereby ordered to be annotated on the back of Transfer Certificate of Title No. 11350; and

"(g) sentencing Maximo Mapalo and the Narcisos to pay the costs.

"IT IS SO ORDERED."

The Narcisoa appealed to the Court of Appeals. In its decision on May 28, 1963, the Court of Appeals reversed the judgment of the Court of First Instance, solely on the ground that the consent of the Mapalo spouses to the deed of sale of 1936 having been obtained by fraud, the same was voidable, not void ab initio, and, therefore, the action to annul the same, within four years from notice of the fraud, had long prescribed. It reckoned said notice of the fraud from the date of registration of the sale on March 15, 1988. The Court of First Instance and the Court of Appeals are therefore unanimous that the spouses Mapalo and Quiba were definitely the victims of fraud. It was only on prescription that they lost in the Court of Appeals.

From said decision of the Court of Appeals, the Mapalo spouses appealed to this Court.

And here appellants press the contention that the document dated October 15, 1936, purporting to sell the entire land in favor of Maximo Mapalo, is void, not merely voidable, as to the western portion of the land, for being absolutely simulated or fictitious.

Starting with fundamentals, under the Civil Code, either the old or the new, for a contract to exist at all, three essential requisites must concur: (1) consent; (2) object, and (3) cause or consideration.[1] The Court of Appeals is

right in that the element of consent is present as to the deed of sale of October 15, 1936. For consent was admittedly given, albeit obtained by fraud. Accordingly, said consent, although defective, did exist. In such case, the defect in the consent would provide a ground for annulment of a voidable contract, not a reason for nullity ab initio.

The parties are agreed that the second element of object is likewise present in the deed of October 15, 1936, namely, the parcel of land subject matter of the same.

Not so, however, as to the third element of cause or consideration. And on this point the decision of the Court of Appeals is silent.

As regards the eastern portion of the land, the Mapalo spouses are not claiming the same, it being their stand that they had donated and freely given said half of their land to Maximo Mapalo. And since they did not appeal from the decision of the trial court finding that there was a valid and effective donation of the eastern portion of their land in favor of Maximo Mapalo, the same pronouncement has become final as to them, rendering it no longer proper herein to examine the existence, validity or efficacy of said donation as to said eastern portion.

Now, as to the western portion, however, the fact not disputed herein is that no donation by the Mapalo spouses obtained as to said portion. Accordingly, we start with the fact that liberality as a cause or consideration does not exist as regards the western portion of the land in relation to the deed of 1936; that there was no donation with respect to the same.

It is reduced, then, to the question whether there was an onerous conveyance of ownership, that is, a sale, by virtue of said deed of October 15, 1936, with respect to said western portion. Specifically, was there a cause or consideration to support the existence of a contract of sale?

The rule under the Civil Code, again be it the old or the new, is that contracts without a cause or consideration produce no effect whatsoever.[1] None the less, under the Old Civil Code, the statement of a false consideration renders the contract voidable, unless it is proven that it is supported by another real and licit consideration.[3] And it is further provided by the Old Civil Code that the action for annulment of a contract on the ground of falsity of consideration shall last four years, the term to run from the date of the consummation of the contract.[4]

Accordingly, since the deed of sale of 1936 is governed by the Old Civil Code, it should be asked whether its case is one wherein there is no consideration, or one with a statement of a false consideration. If the former, it is void and inexistent; if the latter, only voidable, under the Old Civil Code. As observed earlier, the deed of sale of 1936 stated that it had for its consideration Five Hundred (P500.00) Pesos. In fact, however, said consideration was totally absent. The problem, therefore, is whether a deed which states a consideration that in fact did not exist, is a contract without consideration, and therefore void ab initio, or a contract with a false consideration, and therefore, at least under the Old Civil Code, voidable.

According to Manresa, what is meant by a contract that states a false consideration is one that has in fact a real consideration but the same is not the one stated in the document. Thus he says:

"En primer lugar, nos interesa recordar la diferencia entre simulation y el contrato con proposito fraudulento. "fisie, aunque illeito, es real; mas el primero es falso en realidad, aunque se le presente como verdadero." (Manresa,Codigo Civil, Tomo VIII, Vol. II, p. 354.)

And citing a decision of the Supreme Court of Spain on the matter, Manresa further clarifies the difference of false cause and no cause, thus:

"Insiste en el distill go con mas detenida description la senlencia de 25 de mayo de 1944, en la que se

argumenta:

"Si bien es elemento fundamental de todo negocio, la declaración de voluntad substracto de una voluntad efectiva, y la existencia de una causa que le confiera significado jurídico señalando la finalidad que con este se persigue, no ha de deducirse de esta doctrina fundamentalmente recogida en el artículo 1.261 y conexas del Código civil, que cualquier falta de adecuación entre la voluntad interna y la declarada, o bien cualquier incongruencia entre la causa expresada y la verdadera, y, en general, entre la estructuración jurídica y la finalidad económica; hayan de producir la ineficacia del negocio, pues, por el contrario, puede este ser válido y producir sus efectos tanto en el caso de la mera resonancia entre el motivo jurídico adoptado y el fin práctico perseguido por utilización de una vía oblicua o combinación de formas jurídicas entrelazadas que permitan la obtención de un resultado no previsto en los cuadros de la ley—negocios indirectos y negocios fiduciarios, válidos cuando no envuelven fraude de ley, como en el caso de la verdadera disconformidad entre la apariencia del acto y su real contenido, preparada deliberadamente por las partes—negocio simulado—, ya que, cuando esta divergencia implica, no una ausencia total de voluntad y de acto real, sino mera ocultación de un negocio verdadero bajo la falsa apariencia de un negocio fingido, 'simulación relativa', la ineficacia de la forma externa simulada, no es obstáculo para la posible validez del negocio disimulado que contiene, en tanto este último sea lícito y reúna no solo los requisitos generales, sino también los que corresponden a su naturaleza especial, doctrina claramente sancionada por la jurisprudencia, en obligada aplicación de los preceptos de nuestra Ley civil, especialmente en su art. 3.270, que, al establecer el principio de nulidad de los contratos en los que se hace expresión de una causa falsa, deja a salvo el caso de aquellos en los que la verdadera y lícita." (Manresa, Código Civil, Tomo VIII, Vol. II, pp. 357-358)

Sanchez Roman says:

"Ya hemos dicho que la intervención de causa en los contratos es necesaria, y que sin ella son nulos; solo se concibe que un hombre perturbado en su razón pueda contratar sin causa. * * *

"Por la misma razón de la necesidad de la intervención de causa en el contrato, es preciso que esta sea verdadera y no supuesta, aparente o fingida. Que la falsedad de la causa vicia el consentimiento y anula el contrato, es, no solo doctrina indudable de Derecho Científico, sino también de antiguo Derecho de Castilla, que en multitud de leyes así lo declararon." (Sanchez Roman, Derecho Civil, Tomo IV, p. 206.)

In a clearer exposition of the above distinction, Castan states:

"2.º La causa ha de ser verdadera. La causa falsa pueda ser errónea o simulada. Es errónea, como dice Giorgi, la causa que tiene por base la credulidad en un hecho no existente; y simulada la que tiene lugar cuando se hace aparecer artificiosamente una falsedad de la verdadera. La errónea produce siempre la inexistencia del contrato; la simulada no siempre produce este efecto, porque puede suceder que la causa oculta, pero verdadera, baste para sostener el contrato. De acuerdo con esta doctrina, dice el art. 1.276 de nuestro Código que 'la expresión de una causa falsa en los contratos da lugar a la nulidad, si no se prueba que estaban fundados en otra verdadera y lícita'." (Castan, Derecho Civil Español, Tomo II, pp. 618-619)

From the foregoing it can be seen that where, as in this case, there was in fact no consideration, the statement of one in the deed will not suffice to bring it under the rule of Article 1276 of the Old Civil Code as stating, a false consideration. Returning to Manresa:

"Figurando en nuestro Derecho positivo la causa, como un elemento esencial del contrato, es consecuencia ineludible, de reputar simulada la entrega del precio en la compraventa de autos, el que haya que declararla por inexistente, haciéndose aplicación indebida de art. 1.270 por el Tribunal sentenciador al cohonestar la falta de precio admitiendo se pueda tratar de una donación, ya que la recta aplicación del citado precepto exige que los negocios simulados, o sea con causa falsa, se justifique la verdadera y lícita en que se funda el acto que las partes han querido ocultar y el cumplimiento de las formalidades impuestas por la Ley, y, cual dice la sentencia de 3 de marzo de 1932, esta rigurosa doctrina ha de ser especialmente impuesta en las donaciones

puras y simples; de los que se deduce que la sentencia recurrida, al no decretar la nulidad instada por falta de causa, incide en la infraccion de llos articulos 1.201, 1.274, 1.275 y 1.270 del Codig-o Civil. (Sentencia de 22 de Febrero de 1940 (1)." Manresa, Codigo Civil, Tomo VIII, Vol. II, p. 356)

In our view, therefore, the ruling of this Court in *Ocejo, Perez & Co. vs. Flores*, 40 Phil. 921, is squarely applicable herein. In that case we ruled that a contract of purchase and sale is null and void and produces no effect whatsoever where the same is without cause or consideration in that the purchase price which appears thereon as paid has in fact never been paid by the purchaser to the vendor.

Needless to add, the inexistence of a contract is permanent and incurable and cannot be the subject of prescription. In the words of Castan: "La inexistencia es perpetua e insubsanable, no pudiendo ser objeto de confirmacion nf prescripcion" (Op. Cit, p. 644). In *Eugenio vs. Perdido*, 97 Phil. 41, 42-43, involving a sale dated 1932, this Court, speaking through Justice Cecar Bengzon, now Chief Justice, stated:

"Under the existing classification, such contract would be 'inexistent' and 'the action or defense for declaration' of such inexistence 'does not prescirbe'. (Art. 1410, New Civil Code.) While it is true that this is a new provision of the New Civill Code, it is nevertheless a principle recognized since *Tiptonvs. Velasco*, 6 Phil. 67 that 'mere llapse of time cannot give efficacy to contracts that are null and void'."

Anent the matter of whether the Narcisos were purchasers in good faith, the trial court in its decision resolved this issue, thus:

"With regard to the second issue, the Narcisos contend that they lire the owners of the above-described property by virtue of the deed of sale (Exh. B, plaintiffs in 11991 and Exh. 2, defendants in U-133) executed in their favor by Maximo Mapalo, and further claim that they are purchasers for value and in good faith. This court, however, cannot also give weight and credit on this theory of the Narcisos on the following reasons: Firstly, it has been positively shown by the undisputed testimony of Candida Quiba that Pacifico Narciso and Evaristo Narciso stayed for some days on the western side (the portion in question) of the above-described land until thoir house was removed in 1940 by the spouses Mapalo and Quiba; secondly, Pacifico Narciso admitted in his testimony in chief that when they bought the property, Miguel Mapallo was still in the premises in question (western part) which he is occupying and his house is still standing thereon; and thirdly, said Pacifico Narciso when presented as a rebuttal and sub-rebuttal witness categorically declared that before buying the land in question he went to the house of Miguel Mapalo and Candida Quiba and asked them if they will permit their elder brother Maximo to sell the property.

"Aside from the fact that all the parties in these cases are neighbors, except Maximo Mapalo the foregoing facts are explicit enough and sufficiently reveal that the Narcisos were aware of the nature and extent of the interest of Maximo Mapalo, their vendor, over the above-described land before and at the time the deed of sale in their favor was executed.

"Upon the aforestated declaration of Pacifico Narciso the following question arises: What was the necessity, purpose and reason of Pacifico Narciso in still going- to the spouses Mapalo and asked them to permit their brother Maximo to dispose of the above-described land? To this question it is safe to state that this act of Pacifico Narciso is a conclusive manifestation that they (the Narcisos) did not only have prior knowledge of the ownership of said spouses over the western half portion in question but that they also have recognized said ownership. It also conclusively shows their prior knowledge of the want of dominion on the part of their vendor Maximo Maputo over the whole land and also of the flaw of his title thereto. Under this situation, the Narcisos may be considered purchasers in "value but certainly not as purchasers in good faith. * * *" (pp. 97-99), Record on Appeal.)

And said finding—which is one of fact—is found by us not a bit disturbed by the Court of Appeals, Said the Court of Appeals:

"In view of the conclusion thus reached, it becomes unnecessary to pass on the other errors assigned. Suffice it to say that, on the merits, the appealed decision could have been upheld under Article 1332 of the new Civil Code and the following authorities: *Ayola vs. Vahlerrarria Lumber Manufacturers Co., Inc.*, 49 Off. Gaz., 980, 982; *Trasporte vs. Beltran*, 51 OIF. Gaz. 1434, 1435; *Cortez vs. Cortez*, CA-G. R. No. 18451-R, August 8, 1961; *Castillo vs. Laberinto*, CA-G.R. No. 18118-R, December 20, 1961; and 13 C. J. 372-373, as well as the several facts and circumstances appreciated by the trial court as supporting appellees' case."

thereby in effect sustaining—barring only its ruling on prescription—the judgment and findings of the trial court, including that of bad faith on the part of the Narcisos in purchasing the land in question. We therefore see no need to further remand this case to the Court of Appeals for a ruling on this point, as appellees request in their brief in the event we hold the contract of 1936 to be inexistent as regards the western portion of the land.

In view of defendants' bad faith under the circumstances we deem it just and equitable to award, in plaintiffs' favor, attorneys' fees on appeal, in the amount of ₱ 1,000.00 as prayed for in the counterclaim.

Wherefore, the decision of the Court of Appeals is hereby reversed and set aside, and another one is hereby rendered affirming in toto the judgment of the Court of First Instance a quo, with attorneys' fees on appeal in favor of appellants in the amount of ₱1,000.00, plus the costs, both against the private appellees. So ordered.

Bengzon, C.J., Bautista Angelo, Concepcion, Reyes, J.B.L., Barrera, Dizon, Regala, Makalintal, Zaldivar and Sanchez, JJ., concur.

Decision reversed.

[1] Art. 1261, Old Civil Code; Art. 1318, New Civil Code.

[2] Art. 1275, Old Civil Code; Art. 1352, New Civil Code.

[3] Art. 1276, Old Civil Code.

[4] Art. 1301, Old Civil Code.

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