

PANFILO B. MORALES AND ENCARNACION F. MORALES, PETITIONERS, VS. OSCAR VENTANILLA AND EUFEMIA CRUZ, RESPONDENTS.

G.R. No. L-1617. August 29, 1949

Ponente: BENGZON, J.

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BENGZON, J.:

This is a review of the decision of the Court of Appeals dated July 12, 1947. The question at issue is whether the document Exhibit A represents a true pacto de retro sale, or as petitioners contend, a mere mortgage of realty. Said document reads as follows:

"SALE WITH RIGHT OF REPURCHASE

"KNOW ALL MEN BY THESE PRESENTS:

"That I, Panfilo B. Morales, of legal age, married to Encarnacion N. Frias, Filipino and resident of Cabanatuan, Nueva Ecija, Philippines, for and in consideration of the sum of One thousand six hundred pesos (P1,600), Philippine currency, to me paid in hand this very moment and received by me to my full and entire satisfaction from the spouses Oscar Ventanilla and Eufemia Cruz, of legal age, Filipino, and residents of Cabanatuan, Nueva Ecija, Philippines, by these presents, do hereby sell, cede, convey and transfer, by way of sale with right of repurchase unto the said spouses Oscar Ventanilla and Eufemia Cruz, their heirs, assigns and successors, the parcel of land, the area and boundaries of which are as follows:

"Residential land designated as lot No. 13.

"* * * * *

"Dwelling house erected on lot No. 13, consisting of two stories all occupied by me; with wooden posts, wooden walls, floors and galvanized iron roofings. The area is ten meters wide and 14 meters long, more or less. This house is declared under Tax No. 24753 and assessed at P2,500.

"The conditions of this sale with right of repurchase are (1) if I shall pay unto the said spouses Oscar Ventanilla and Eufemia Cruz, the said sum of P1,600 on or before April 24, 1941, then this sale will automatically become null and void and a resale in my favor will be executed; otherwise, this document shall have the character of absolute sale; (2) that during the period of repurchase I will remain in possession of the above mentioned properties; (3) that I bind, myself to pay all taxes to be due in favor of the government and until now these properties are free from all liens and incumbrances.

"In witness whereof, I have hereunto set my hand at Cabanatuan, Nueva Ecija, this 24th day of April, 1940.

"PANFILO B. MORALES

"* * * * *

Sometime in the month of April, 1940, said the Court of Appeals, "the plaintiff Panfilo B. Morales, resident of

Cabanatuan, Nueva Ecija, being indebted to the Philippine National Bank and having mortgaged his properties, was in imminent danger of losing the same, described in transfer certificate of title no. 11768. Due to the intent of the bank to foreclose, he approached the defendant Oscar Ventanilla for a loan in order to satisfy his debt with the bank. It seems that the latter was not conformable to grant a loan, but that he was willing to buy the properties of the plaintiff under a sale with right of repurchase. Under these circumstances, and because of the insistence of defendant Ventanilla that plaintiff Morales execute a deed of sale in his favor, they went to Notary Public Herminio Algas of the municipality of Cabanatuan and to the latter they explained their necessity, after which, defendant Ventanilla left while plaintiff Morales waited for the document to be drafted. Upon completion of the document, which now appears as Exhibit A, the plaintiff Morales signed and acknowledged before the notary public the deed.

"At maturity, which was on April 24, 1941, the plaintiff failed to redeem the properties sold by him, but on July 7 of the same year, Morales wrote the defendant Ventanilla for the purpose of asking for an extension of another year (Exh. 2), which request was granted. Upon the second maturity, that is, on April 24, 1942, the plaintiff again requested for another year, which was also granted, the request and approval for this extension being verbal. It appears subsequently that upon the third maturity on April 24, 1943, no attempt was made nor offer extended by the plaintiff Morales to repay the price for which reason, on July 7, 1943 the defendant Ventanilla, thru his attorney, Ricardo Castelo, advised the plaintiff that it was the intention of the defendant to consolidate ownership in the properties and granted the plaintiff one month grace from said date, July 7, 1943, within which to return the purchase price. The period of one month having elapsed, and the plaintiff Morales not having turned over the purchase price * * * on August 14, 1943, the plaintiffs consolidated their ownership and certificate of title No. 19457 was issued in the name of the defendants. The plaintiffs having learned of the issuance of the certificate of title in favor of the defendants, immediately commenced this suit".

The suit was heard in the court of first instance of Nueva Ecija. There the plaintiffs asserted that their contract with Ventanilla was a mortgage, and they asked that title in their names be reissued, and that defendants be required to accept repayment of the loan, and to return usurious interests reportedly received.

After hearing the parties the Honorable Quintin Paredes, Jr., Judge, declared that the transaction was a sale of property with right to repurchase, and, consequently, dismissed the suit. The Court of Appeals confirmed his ruling.

Petitioners insist here that the contract should be declared an equitable mortgage, because:

- (1) The price of P1,600 appearing in Exhibit A is inadequate;
- (2) The petitioners were financially embarrassed and applied for a loan to respondents;
- (3) Petitioners assumed the obligation of paying all taxes on the properties;
- (4) Petitioners remained in possession of the properties even after the period of redemption; and
- (5) Petitioners have been and are still renting to other persons, the first floor of the building and a portion of the second floor, and the rents collected accrue to their benefit.

As to the first point "the property was assessed" said Mr. Justice Felix "at P2,500, and though we believe that the price of P1,600 is quite low, appellees may retort that they graciously extended the period of repurchase for more than two years"; and anyway, he reflected, the disparity between the price and the market value was not so striking, because in 1943 the petitioners could not raise on the property P1,600 in "mickey mouse" money (Japanese fiat money) to effect its repurchase. At any rate mere inadequacy of price is immaterial. It is only where

the purchase price is grossly inadequate that the point becomes important.[1]

The second point was not unnoticed. Precisely, the two courts found that, because petitioners needed money, and respondents did not want to lend, a sale was consummated. Both tribunals concluded most logically, that, in their hour of need the owners of the land, unable to obtain a loan, agreed to a pacto de retro.

The third and fourth points were likewise considered by the appellate court. It opined that as the contracting parties were free to stipulate, they probably agreed that petitioners were to retain possession of the property in return for the payment by them of all taxes due to the Government.

As to the fifth point nothing is said by the Court of Appeals. Perhaps it is merely a consequence of the third and the fourth. They are not necessarily inconsistent with a veritable pacto de retro sale.

One circumstance which obviously led the Court of Appeals to hold that the written contract expressed the intention of the parties is the fact that petitioner Panfilo B. Morales is an experienced lawyer and a former justice of the peace, whose letter Exhibit 5 of July 7, 1941 referred to their transaction as a sale with the right to repurchase. The court went further, finding specifically that there is no evidence "* * * other than the uncorroborated and unreliable statement of Panfilo B. Morales, to establish that appellee ever demanded or received from him any interests, usurious or otherwise, and he cannot so easily come out of the ditch he fell into flippantly quoting from *People vs. Banguis* (G.R. No. 5765-Jan. 31, 1941), that 'in usurious transactions, the usurer not only takes advantage of legal means to conceal his usurious business, but also avoid the issuance of receipts or other papers that would reveal the existence of such illegal transactions' ".

In a recent decision of May 30, 1949,[1] involving the identical question whether a plain document of sale with pacto de retro was in fact a mortgage, we laid down these propositions:

"* * * it is seriously to be doubted whether we could reverse the conclusion of the appellate court to the effect that those facts and circumstances are not 'enough evidence' to show clearly and beyond doubt that the parties intended the contract to be a mortgage instead of a conditional conveyance. That conclusion is obviously one of fact, * * *.

"In conclusion, the Court of Appeals having declared that according to the evidence the instrument reflects the true agreement and intention of the parties, we will not examine that same evidence nor declare that it does not".

Now, inasmuch as the document Exhibit A clearly denotes a contract of sale with right to repurchase, and inasmuch as the Court of Appeals has in effect declared that the findings of the trial judge and the facts proven do not indicate that the contracting parties intended a mortgage instead of a sale, we must, applying our policy, decline to interfere with the conclusions of fact of the intermediate tribunal, whose decision will consequently be affirmed, with costs against petitioners. So ordered.

Moran, C.J., Ozaeta, Feria, Padilla, Tuason, Montemayor, and Reyes, JJ., concur.

[1] C. F. Cabigao vs. Lim, 50 Phil., 844.

[1] Lim vs. Calaguas and Alcaraz, G.R. No. L-2031.

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