

HEIRS OF THE LATE SPOUSES CARLOTA CLARIDAD, ET AL.,*G.R. No. L-6438. June 30, 1955*

Ponente: REYES, J.B.L., J.

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In their fourth amended complaint, plaintiffs alleged that they are the owners of 15 parcels of land (Lots Nos. 520, 522, 525, 530, 528, 529, 532, 534, 539, 542, 803, 804, 807, 831 and 957) of the Cadastral Survey of Bacolod, Negros Occidental, originally owned and registered in the name of their common ancestors, the spouses Carlota Claridad and Gregorio Jagocoy; that in the year 1926, they delivered said lots to defendant Jose Benares under an oral contract of lease for the period of ten years, with the agreement that the lessee would make improvements on the properties; that upon the expiration of the lease period in 1935, defendant Benares convinced plaintiffs to grant him another lease on the premises, also for ten years and plaintiffs having agreed, prepared several contracts which plaintiffs signed, believing them to be lease agreements; that in 1940, plaintiffs discovered that the contracts which Benares made them sign in 1935 were not leases of the lands in question but were deeds of absolute sale, and that by virtue thereof, Benares had been able to obtain transfer of the titles to his name; and that Benares had subsequently made fictitious conveyances of the lands in question in favor of several persons, who were his relatives, accomplices and/ or dummies. Wherefore, plaintiffs prayed that the fraudulent sales be declared fictitious and illegal, and that defendants be ordered to execute the necessary deeds of reconveyance and restore them in the possession and ownership of the lots in question, or to pay their value in case their return could not be made, plus damages. The transferees of Benares (Casabuena, Arimas, et al.) were subsequently granted leave to intervene as defendants.

Defendant Jose Benares was declared in default. The other defendants claimed ownership of the lots in question, and as a special defense averred that plaintiffs' action had already prescribed. The case was set for hearing and evidence for the plaintiffs received. Thereafter, defendants filed a motion to dismiss reiterating their defense of prescription of plaintiffs' action. According to their motion, plaintiffs' action being one for annulment of certain contracts of conveyance on the ground of fraud, such action prescribes in four years; that the complaint alleged that the fraud "was discovered in 1940, hence the action should have been filed within four years therefrom, or up to 1944; and that the complaint having been brought on December 4, 1945, or beyond four years since the discovery of the fraud, plaintiffs' action had already proscribed. Finding the motion to dismiss meritorious, the lower court dismissed the complaint. Motion for reconsideration was filed by plaintiffs, but was denied, hence, this appeal.

We see no error in the dismissal of plaintiffs' complaint by the lower Court. From the allegations thereof, it clearly appears that plaintiffs were, through fraud, made to sign deeds of sale of the lands in question in favor of Jose

Benares, believing them to be mere lease contracts; and it was prayed that these deeds be declared illegal and fictitious, and that the defendants be ordered to execute the necessary deeds of reconveyance in favor of plaintiffs, and restore them in the possession and ownership of the lands claimed. Prescription of such an action based on fraud, under section 44 of the old Code of Procedure, is four years from the time the fraud is discovered, in this case, in 1940, as alleged in the complaint. Hence, the filing of plaintiffs action of December 4, 1945 was beyond the statutory period within which action could be brought.

It is asserted by plaintiffs that their action is not for the annulment of the alleged fraudulent deeds of sole, but for recovery of ownership and possession of the lands in question, the deeds of sale being void ab initio for lack of a valid consent. The argument is untenable, A completely void contract wherein there is no consent whatever on the part of the complaining party to be bound, must be distinguished from a mere annulable or voidable contract, entered into through error, violence, intimidation, fraud, or undue influence, where annulable or voidable contract, entered into through violence, intimidation, fraud, or undue influence, therein consent, though defective, was actually given, and which, until annulled by the courts, is operative and binding. In this case, plaintiffs do not deny having voluntarily agreed to sign a contract of lease in favor of defendant Jose Benares. The fact that Benares, through fraud and deceit, made them sign absolute sales instead, does not render the sales absolutely void, but merely voidable; and the remedy of plaintiffs is either annulment on the ground of fraud, or reformation of the contracts to make them express the parties true intention and agreement. In either case, the action should be filed within four years from the time the cause of action accrues, i.e., from the discovery of the fraud.

The doctrine laid down by this Court in *Rone, et al. vs. Claro, et al.* G.R. No. L-4472, May 8, 1952, cited by the Court below in the order appealed from, is exactly in points. Therein we held:

"The purpose of an action or suit and the law to govern it, including the period of prescription, is to be determined not by the claim of the party filing the action, made in his argument or brief, but rather by the complaint itself, its allegations and the prayer for relief. Here, the complaint clearly and expressly alleges the supposed fraud and deceit in procuring the execution of the deed of sale of the land in question in favor of the defendants, and the discovery of said fraud on a day years after the date of the supposed fraudulent deed. From this it may be gathered that this allegation and claim was made in order to excuse the apparent neglect or delay in the filing of the action, a delay involving a period of almost twenty years, from the date of the deed of sale to the filing of the suit. Then, among the prayers for relief, is one asking that the deed of sale be declared fraudulent. Another prayer is that defendants be ordered to execute a deed of conveyance of the lot in favor of plaintiffs, meaning that at present, defendants are owners of the lot, though by virtue of a supposed fraudulent deed. From all this, it is obvious, as already stated, that the action was for the annulment of a contract or deed on the ground of fraud, which action should be filed within four years after the discovery of the fraud.

It may be that the recovery of title and possession of the lot was the ultimate objective of plaintiffs, but to attain that goal, they must needs first travel over the road of relief on the ground of fraud; otherwise even if the present action were to be regarded as a direct action to recover title and possession, it would, nevertheless, be futile and could not prosper for the reason that the defendants could always defeat it by merely presenting the deed of sale, which is good and valid to legalize and justify the transfer of the land to the defendants, until annulled by the courts. And of course, it cannot be annulled unless the action to annul had been filed within four years after the discovery of the fraud in 1941. So, from whatever angle we view the case, the claim of plaintiffs-appellants must fail."

Plaintiffs urge that the statute of limitations for the filing of their action against the defendants was suspended during the years of the enemy occupation, for the reason that defendant Jose Benares was a friend of the Japanese occupants in Negros Occidental and they could not come to the courts and assert their rights against him for fear of reprisal. Suffice it to say that the statute of limitations is deemed suspended by war only to such an extent that the courts are closed and can not be reached by the people (*España vs. Lucido*, 8 Phil. 420; *Palma vs. Celda*,

L-2187, Aug. 20, 1948, Supp. Off. Gaz. 46, p. 198). The evidence for the plaintiffs fails to show during what period of the war the courts in the province of Negros Occidental were closed and ceased to function. And as for the general allegation of fear of punishment or harm allegedly in the minds of plaintiffs which prevented them from bringing their action, again there is nothing in their evidence to prove such allegation, much less to show that their fear was so serious and well-founded as to have legally and physically prevented them from enforcing their action. This Court has already rejected the theory that the Japanese occupation constituted collective duress upon the population (Phil. Trust vs. Araneta, Off. Gaz. 4254; Osorio vs. McGrath, G.R. No. L-4436, Jan 28, 1955).

Appellants aver that they are entitled to relief under Article 1456 of the new Civil Code, to the effect that

"If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes."

The position of plaintiffs-appellants is that under this article they have at least ten (10) years to recover the property from the defendants, as trustees, without need of annulling the original conveyance. It is well established in American laws of trusts (expressly made applicable by Art. 1442 of the new Civil Code) that constructive or implied trusts, as distinguished from express ones, are barred by laches or prescription without need of repudiation (34 Am. Jur. p. 143; 54 Am. Jur. 449; Restatement on Restitution, Amer. Law Inst., sec. 179; 37 C. J. 719; Stanson v. Stanson, 6 ALR. 287 and cas. cit.). So that, assuming the correctness of the prescriptive period alleged, (although it is now unnecessary to decide it), it can not be denied that its application would undermine the firm title that had been consolidated in the defendants since 1944 under the old Code, upon the expiration of the four years counted from the discovery of the fraud., (Civ. C. of 1889, art. 1301, Act 190, sec. 44); and, therefore, the retroactive operation of Article 1456 of the new Code would be blocked by Arts. 2252 and 2253 of the same Code (transitory provisions), prohibiting the retroactive application of its new provisions and rules to the detriment of rights vested and acquired under the prior legislation.

It is well to note that while this Court, even before the new Civil Code, had applied the doctrine of constructive trusts in cases of fraudulent breach of confidence or fiduciary relations, it had never applied the doctrine to conveyances where consent was obtained through deceit, neither party having reason to confide in the other. Hence, if the rule of Art. 1456 is to be interpreted to grant parties to contracts tainted with deceit an action for recovery (or restitution) separate and distinct from the action for annulment, such right would be entirely new and not retroactively applicable to cases that arose while the old Civil Code was still in force.

Thus, in the aforecited decision of *Rone vs. Claro*, a similar plea was made and rejected, We said:

"Lastly, appellants contend that the trial court erred in not applying the provisions of the new Civil Code. Considering that all the transactions involved in the present case from the execution of the alleged fraudulent deed and transfer of the possession and title to the land in favor of the defendants until the filing of the present action, including the order of dismissal of the case by the trial court, had all taken place before the new Civil Code took effect, it is clear that the provisions of the said new Civil Code are not applicable."

The same considerations apply to the case now before us.

In view of the foregoing, the judgment appealed from is affirmed, with costs against appellants.

Bengzon, Padilla, Montemayor, Reyes, Jugo, Bautista Angelo, Labrador, and Concepcion, JJ., concur.

C.J. Paras and Pablo, J., did not take part.

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