

**ISAAC BAGNAS, ENCARNACION BAGNAS, SILVESTRE BAGNAS,
MAXIMINA BAGNAS, SIXTO BAGNAS, AND AGATONA ENCARNACION,
PETITIONERS, VS. HON. COURT OF APPEALS, ROSA L. RETONIL,
TEOFILO ENCA...**

G.R. No. L-38498. August 10, 1989

Ponente: NARVASA, J.

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NARVASA, J.:

The facts underlying this appeal by certiorari are not in dispute.

Hilario Mateum of Kawit, Cavite, died on March 11, 1964, single, without ascendants or descendants, and survived only by collateral relatives, of whom petitioners herein, his first cousins, were the nearest. Mateum left no will, no debts, and an estate consisting of twenty-nine parcels of land in Kawit and Imus, Cavite, ten of which are involved in this appeal.[1]

On April 3, 1964, the private respondents, themselves collateral relatives of Mateum though more remote in degree than the petitioners,[2] registered with the Registry of Deeds for the Province of Cavite two deeds of sale purportedly executed by Mateum in their (respondents') favor covering ten parcels of land. Both deeds were in Tagalog, save for the English descriptions of the lands conveyed under one of them; and each recited the consideration of the sale to be "*** halagang ISANG PISO (P1.00), salaping Pilipino, at mga naipaglingkod, ipinaglilingkod at ipaglilingkod sa aking kapakanan ***" ("the sum of ONE PESO (P1.00), Philippine Currency, and services rendered, being rendered and to be rendered for my benefit"). One deed was dated February 6, 1963 and covered five parcels of land, and the other was dated March 4, 1963, covering five other parcels, both, therefore, antedating Mateum's death by more than a year.[3] It is asserted by the petitioners, but denied by the respondents, that said sales notwithstanding, Mateum continued in the possession of the lands purportedly conveyed until his death, that he remained the declared owner thereof and that the tax payments thereon continued to be paid in his name.[4] Whatever the truth, however, is not crucial. What is not disputed is that on the strength of the deeds of sale, the respondents were able to secure title in their favor over three of the ten parcels of land conveyed thereby.[5]

On May 22, 1964 the petitioners commenced suit against the respondents in the Court of First Instance of Cavite, seeking annulment of the deeds of sale as fictitious, fraudulent or falsified, or, alternatively, as donations void for want of acceptance embodied in a public instrument. Claiming ownership pro indiviso of the lands subject of the deeds by virtue of being intestate heirs of Hilario Mateum, the petitioners prayed for recovery of ownership and possession of said lands, accounting of the fruits thereof and damages. Although the complaint originally sought recovery of all the twenty-nine parcels of land left by Mateum, at the pre-trial the parties agreed that the controversy be limited to the ten parcels subject of the questioned sales, and the Trial Court ordered the exclusion of the nineteen other parcels from the action.[6] Of the ten parcels which remained in litigation, nine were assessed for purposes of taxation at values aggregating P10,500.00. The record does not disclose the assessed

value of the tenth parcel, which has an area of 1,443 square meters.[7]

In answer to the complaint, the defendants (respondents here) denied the alleged fictitious or fraudulent character of the sales in their favor, asserting that said sales were made for good and valuable consideration; that while "**** they may have the effect of donations, yet the formalities and solemnities of donation are not required for their validity and effectivity, ***;" that defendants were collateral relatives of Hilario Mateum and had done many good things for him, nursing him in his last illness, which services constituted the bulk of the consideration of the sales; and (by way of affirmative defense) that the plaintiffs could not question or seek annulment of the sales because they were mere collateral relatives of the deceased vendor and were not bound, principally or subsidiarily, thereby.[8]

After the plaintiff's had presented their evidence, the defendants filed a motion for dismissal -- in effect, a demurrer to the evidence -- reasserting the defense set up in their answer that the plaintiffs, as mere collateral relatives of Hilario Mateum, had no right to impugn the latter's disposition of his properties by means of the questioned conveyances and submitting, additionally, that no evidence of fraud tainting said transfers had been presented.[9]

The Trial Court granted the motion to dismiss, holding (a) on the authority of *Armentia vs. Patriarca*,[10] that the plaintiffs, as mere collateral relatives, not forced heirs, of Hilario Mateum, could not legally question the disposition made by said deceased during his lifetime, regardless of whether, as a matter of objective reality, said dispositions were valid or not; and (b) that the plaintiffs' evidence of alleged fraud was insufficient, the fact that the deeds of sale each stated a consideration of only P1.00 not being in itself evidence of fraud or simulation.[11]

On appeal by the plaintiffs to the Court of Appeals, that Court affirmed, advertent with approval to the Trial Court's reliance on the *Armentia* ruling which, it would appear, both courts saw as denying, without exception, to collaterals, of a decedent, not forced heirs, the right to impugn the latter's dispositions inter vivos of property. The Appellate Court also analyzed the testimony of the plaintiffs' witnesses, declared that it failed to establish fraud of any kind or that Mateum had continued paying taxes on the lands in question even after executing the deeds conveying them to the defendants, and closed with the statement that "**** since in duly notarized and registered deeds of sale consideration is presumed, we do not find it necessary to rule on the alternative allegations of the appellants that the said deed of sale were (sic) in reality donations." [12]

One issue clearly predominates here. It is whether, in view of the fact that, for properties assuredly worth in actual value many times over their total assessed valuation of more than P10,000.00, the questioned deeds of sale each state a price of only one peso (P1.00) plus unspecified past, present and future services to which no value is assigned, said deeds were void or inexistent from the beginning ("nulo") or merely voidable, that is, valid until annulled. If they were only voidable, then it is a correct proposition that since the vendor Mateum had no forced heirs whose legitimes may have been impaired, and the petitioners, his collateral relatives, not being bound either principally or subsidiarily to the terms of said deeds, the latter had and have no actionable right to question those transfers.

On the other hand, if said deeds were void ab initio because to all intents and purposes without consideration, then a different legal situation arises, and quite another result obtains, as pointed out by the eminent civil law authority, Mr. Justice J.B.L. Reyes who, in his concurring opinion in *Armentia*, said:

"I *** cannot bring myself to agree to the proposition that the heirs intestate would have no legal standing to contest the conveyance made by the deceased if the same were made without any consideration, or for a false and fictitious consideration. For under the Civil Code of the Philippines, Art. 1409, par. 3, contracts with a cause that did not exist at the time of the transaction are inexistent and void from the beginning. The same is

true of contracts stating a false cause (consideration) unless the persons interested in upholding the contract should prove that there is another true and lawful consideration therefor. (Ibid., Art. 1353).

If therefore the contract has no causa or consideration, or the causa is false and fictitious (and no true hidden causa is proved) the property allegedly conveyed never really leaves the patrimony of the transferor, and upon the latter's death without a testament, such property would pass to the transferor's heirs intestate and be recoverable by them or by the Administrator of the transferor's estate. In this particular regard, I think *Concepcion vs. Sta. Ana*, 87 Phil. 787 and *Solis vs. Chua Pua Hermanos*, 50 Phil. 536, do not correctly state the present law, and must be clarified."

To be sure the quoted passage does not reject -- and is not to be construed as rejecting -- the *Concepcion* and *Solis* rulings^[13] as outrightly erroneous, far from it. On the contrary, those rulings undoubtedly read and applied correctly the law extant in their time: Art. 1276 of the Civil Code of 1889 under which the statement of a false cause in a contract rendered it voidable only, not void ab initio. In observing that they "**** do not correctly state the present law and must be clarified," Justice Reyes clearly had in mind the fact that the law as it is now (and already was in the time of *Armentia*) no longer deems contracts with a false cause, or which are absolutely simulated or fictitious, merely voidable, but declares them void, i.e., inexistent ("nulo") unless it is shown that they are supported by another true and lawful cause or consideration.^[14] A logical consequence of that change in the juridical status of contracts without, or with a false, cause is that conveyances of property affected with such a vice cannot operate to divest and transfer ownership, even if unimpugned. If afterwards the transferor dies the property descends to his heirs, and without regard to the manner in which they are called to the succession, said heirs may bring an action to recover the property from the purported transferee. As pointed out, such an action is not founded on fraud, but on the premise that the property never leaves the estate of the transferor and is transmitted upon his death to heirs, who would labor under no incapacity to maintain the action from the mere fact that they may be only collateral relatives and bound neither principally or subsidiarily under the deed or contract of conveyance.

In *Armentia* the Court determined that the conveyance questioned was merely annulable, not void ab initio, and that the plaintiff's action was based on fraud vitiating said conveyance. The Court said:

"Hypothetically admitting the truth of these allegations (of plaintiff's complaint), the conclusion is irresistible that the sale is merely voidable. Because *Marta Armentia* executed the document, and this is not controverted by plaintiff. Besides, the fact that the vendees were minors, makes the contract, at worst, annulable by them. Then again, inadequacy of consideration does not imply total want of consideration. Without more, the purported acts of *Marta Armentia* after the sale did not indicate that the said sale was void from the beginning.

The sum total of all these is that, in essence, plaintiff's case is bottomed on fraud, which renders the contract voidable."

It therefore seems clear that insofar as it may be considered as setting or reaffirming precedent, *Armentia* only ruled that transfers made by a decedent in his lifetime, which are voidable for having been fraudulently made or obtained, cannot be posthumously impugned by collateral relatives succeeding to his estate who are not principally or subsidiarily bound by such transfers. For the reasons already stated, that ruling is not extendible to transfers which, though made under closely similar circumstances, are void ab initio for lack or falsity of consideration.

The petitioners here argue on a broad front that the very recitals of the questioned deeds of sale reveal such want or spuriousness of consideration and therefore the void character of said sales. They:

1. advert to a decision of the Court of Appeals in *Montinola vs. Herbosa* (59 O.G. No. 47, pp. 8101, 8118) holding that a price of P1.00 for the sale of things worth at least P20,000.00 is so insignificant as to amount to no price at

all, and does not satisfy the law which, while not requiring for the validity of a sale that the price be adequate, prescribes that it must be real, not fictitious, stressing the obvious parallel between that case and the present one in stated price and actual value of the property sold;

2. cite Manresa to the same effect: that true price, which is essential to the validity of a sale, means existent, real and effective price, that which does not consist in an insignificant amount as, say, P.20 for a house; that it is not the same as the concept of a just price which entails weighing and measuring, for economic equivalence, the amount of price against all the factors that determine the value of the thing sold; but that there is no need of such a close examination when the immense disproportion between such economic values is patent -- a case of insignificant or ridiculous price, the unbelievable amount of which at once points out its inexistence;"[15]

3. assert that Art. 1458 of the Civil Code, in prescribing that a sale be for a "**** price certain in money or its equivalent ***, " requires that "equivalent" be something representative of money, e.g., a check or draft, again citing Manresa[16] to the effect that services are not the equivalent of money insofar as said requirement is concerned and that a contract is not a true sale where the price consists of services or prestations;

4. once more citing Manresa,[17] also point out that the "services" mentioned in the questioned deeds of sale are not only vague and uncertain, but are unknown and not susceptible of determination without the necessity of a new agreement between the parties to said deeds.

Without necessarily according all these assertions its full concurrence, but upon the consideration alone that the apparent gross, not to say enormous, disproportion between the stipulated price (in each deed) of P1.00 plus unspecified and unquantified services and the undisputably valuable real estate allegedly sold -- worth at least P10,500.00 going only by assessments for tax purposes which, it is well-known, are notoriously low indicators of actual value -- plainly and unquestionably demonstrates that they state a false and fictitious consideration, and no other true and lawful cause having been shown, the Court finds both said deeds, insofar as they purport to be sales, not merely voidable, but void ab initio.

Neither can the validity of said conveyances be defended on the theory that their true causa is the liberality of the transferor and they may be considered in reality donations,[18] because the law[19] also prescribes that donations of immovable property, to be valid, must be made and accepted in a public instrument, and it is not denied by the respondents that there has been no such acceptance which they claim is not required.[20]

The transfers in question being void, it follows as a necessary consequence and conformably to the concurring opinion in Armentia, with which the Court fully agrees, that the properties purportedly conveyed remained part of the estate of Hilario Mateum, said transfers notwithstanding, recoverable by his intestate heirs, the petitioners herein, whose status as such is not challenged.

The private respondents have only themselves to blame for the lack of proof that might have saved the questioned transfers from the taint of invalidity as being fictitious and without licit cause; proof, to be brief, of the character and value of the services, past, present and future, constituting -- according to the very terms of said transfers -- the principal consideration therefor. The petitioners' complaint (par. 6)[21] averred that the transfers were "**** fraudulent, fictitious and/or falsified and (were) *** in reality donations of immovables ***, " an averment that the private respondents not only specifically denied, alleging that the transfers had been made "**** for good and valuable consideration ***, " but to which they also interposed the affirmative defenses that said transfers were "**** valid, binding and effective ***, " and, in an obvious reference to the services mentioned in the deeds, that they "**** had done many good things to (the transferor) during his lifetime, nursed him during his ripe years and took care of him during his previous and last illness ***, " (pars. 4, 6, 16 and 17, their answer).[22] The onus, therefore, of showing the existence of valid and licit consideration for the questioned conveyances rested on the

private respondents. But even on a contrary assumption, and positing that the petitioners initially had the burden of showing that the transfers lacked such consideration as they alleged in their complaint, that burden was shifted to the private respondents when the petitioners presented the deeds which they claimed showed that defect on their face and it became the duty of said respondents to offer evidence of existent, lawful consideration.

As the record clearly demonstrates, the respondents not only failed to offer any proof whatsoever, opting to rely on a demurrer to the petitioners' evidence and upon the thesis, which they have maintained all the way to this Court, that petitioners, being mere collateral relatives of the deceased transferor, were without right to the conveyances in question. In effect, they gambled their right to adduce evidence on a dismissal in the Trial Court and lost, it being the rule that when a dismissal thus obtained is reversed on appeal, the movant loses the right to present evidence in his behalf.[23]

WHEREFORE, the appealed Decision of the Court of Appeals is reversed. The questioned transfers are declared void and of no force or effect. Such certificates of title as the private respondents may have obtained over the properties subject of said transfers are hereby annulled, and said respondents are ordered to return to the petitioners possession of all the properties involved in this action, to account to the petitioners for the fruits thereof during the period of their possession, and to pay the costs. No damages, attorney's fees or litigation expenses are awarded, there being no evidence thereof before the Court.

SO ORDERED.

Cruz, Gancayco, Griño-Aquino, and Medialdea, JJ., concur.

[1] Rollo, pp. 3, 50, 51.

[2] Id.; two of the respondents are nephews, and the third is a niece, of Mateum; Rollo, p. 50.

[3] record on appeal, pp. 15-25.

[4] petitioners' brief, p. 8; respondents' brief, p. 5.

[5] record on appeal, pp. 11, 26.

[6] record on appeal, pp. 35-39.

[7] supra; id., pp. 15-25.

[8] id., pp. 25-32.

[9] record on appeal, pp. 43-49.

[10] 18 SCRA 1253.

[11] record on appeal, pp. 79-89.

[12] Rollo, pp. 30-40.

[13] Solis, the earlier case (the correct volume and page citation of which is 50 Phil. 636), held that a voluntary conveyance, without any consideration whatever, is prima facie good as between the parties. In Concepcion, the Court ruled that the surviving brother of a decedent cannot bring action to annul, for being based on a false or fictitious consideration, a sale of real property made by the latter in her lifetime; this because the effect of a false consideration was limited to making the contract voidable, and the action to annul voidable contracts could only

be brought by the persons bound thereto or by the heir/s to whom the rights and obligations arising from such contracts are transmitted.

[14] Arts. 1353 and 1409, Civil Code of the Philippines.

[15] Vol. 10, 3rd. ed., p. 47.

[16] Vol. 8, 3rd ed., pp. 59-60.

[17] Vol. 10, 3rd ed., pp. 47-48.

[18] Art. 1471, Civil Code of the Philippines.

[19] Art. 749, id.

[20] Answer to the Complaint; record on appeal, p. 27.

[21] record on appeal, p. 11.

[22] record on appeal, pp. 25-26, 29-30.

[23] Rule 35, Sec. 1, Rules of Court; Siayngco vs. Costibolo, 27 SCRA 272, 283-384.

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