

**FLORDELIZ L. BELLIDO AND VILLAMOR H. BELLIDO, PETITIONERS,
VS. THE HON. COURT OF APPEALS, AND SPOUSES MAMERTO P. DEL
RIO AND ESTELITA L. DEL RIO, RESPONDENTS.**

G.R. No. 106822. December 21, 1993

Ponente: PADILLA, J.

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PADILLA, J.:

In this petition for review, petitioner-spouses Flordeliz and Villamor Bellido seek to set aside the decision* of public respondent Court of Appeals in CA-G.R. CV No. 32461 dated 24 August 1992.

Petitioner-spouses had filed a complaint in the Regional Trial Court of Quezon City for annulment of the deed of absolute sale covering a house and lot located in Don Antonio Heights, University District, Payatas, Quezon City. The lot was formerly covered by TCT No. 277097 in the name of the petitioner Flordeliz L. Bellido.

The evidence adduced by the parties is summarized by the Court of Appeals as follows:

"Briefly, plaintiffs' evidence sought to prove that: being financially distressed in October or November 1986, plaintiffs offered to defendants the subject property valued at P900,000.00 as collateral for a loan of P300,000.00; an advance of P85,284.39 (in PNB Check No. 131229) was given by defendant husband to plaintiffs who used said amount to pay the balance of their loan with the Central Bank Provident Fund Office; before the balance of the loan was given to plaintiffs, defendants demanded the execution of a deed of absolute sale and the surrender of the title to the land, and assured plaintiffs that the deed of sale and title would be merely collateral to the loan; plaintiffs executed the deed of absolute sale on March 5, 1987 but they received only a total of P240,000.00 including the advance of P85,284.39; of the loan of P300,000.00, P60,000.00 was immediately deducted by defendants as interest for one year; and, sometime in April - May, 1987, defendants tried to evict Joel de Leon, plaintiffs' caretaker from the disputed house and lot.

"Defendants' evidence, on the other hand, tended to establish that: thru an aunt of defendants, plaintiffs secured from the latter a loan in the amount of P85,284.39, the exact amount needed to redeem plaintiffs' property from the Central Bank; defendant husband granted said loan on plaintiffs' promise that they would pay the loan within three (3) months, otherwise, if plaintiffs would fail to settle within said period, plaintiffs would sell the subject property to defendants for P300,000.00 including the amount of P85,284.39; plaintiffs failed to pay within the stipulated three (3) month grace period and even after another one (1) month extension granted by defendants; plaintiffs then voluntarily appeared in the office of defendants' counsel to execute the assailed deed of absolute sale; defendants had the disputed property titled under their names after paying all the back taxes thereon since 1982; and, defendants informed the caretaker of plaintiffs that they are now the owners of the subject property and after the latter moved out of the premises, defendants occupied the same up to the present." [1]

After trial, the Regional Trial Court, Branch 90, Quezon City rendered a decision* dated 15 March 1991 dismissing herein petitioner-spouses' complaint and upholding the deed of absolute sale.

On appeal, the Court of Appeals affirmed the trial court decision deleting however the awards of moral damages

and attorney's fees in favor of the private respondents.

The petitioner-spouses raise the following issues to this Court:

"I. THE COURT OF APPEALS ERRED IN OVERLOOKING THIS VITAL EVIDENCE ON RECORD: THAT P85,284.00 OF THE AMOUNT GIVEN BY PRIVATE RESPONDENTS WAS USED TO REDEEM THE SUBJECT PROPERTY FROM THE CB PROVIDENT FUND; IF THE PROPERTY WAS INDEED "SOLD" BY PETITIONERS, WHY SHOULD THEY INVEST THE PROCEEDS OF THE "SALE" ON THE PROPERTY WHICH NO LONGER BELONGED TO THEM?

"II. THE COURT OF APPEALS ERRED IN NOT APPLYING ARTICLE 1602, NO. 6 OF THE CIVIL CODE, TO THE CASE AT BAR."[2]

Once again, this Court is asked to decide whether a "Deed of Absolute Sale" should be treated as an equitable mortgage.

Article 1602 of the Civil Code provides that a contract shall be resumed to be an equitable mortgage, in any of the following cases.

1. When the price of a sale with right to repurchase is unusually inadequate.
2. When the vendor remains in possession as lessee or otherwise.
3. When upon or after the expiration of the right to repurchase another instrument extending the period of redemption or granting a new period is executed.
4. When the purchaser retains for himself a part of the purchase price.
5. When the vendor binds himself to pay the taxes on the thing sold.
6. In any other case where it may be fairly inferred that the real intention of the parties is that the trans-action shall secure the payment of a debt or the performance of any other obligation.

Article 1604 of the Civil Code makes the aforementioned Article 1602 applicable to a contract purporting to be an absolute sale.

After carefully going over the records of this case, we are convinced that the agreement between the petitioner-spouses and the private respondents is an equitable mortgage.

It is true that the Deed of Absolute Sale executed by the petitioner-spouses is dated 5 March 1987 but the Court finds it hard to believe that the private respondents had earlier loaned a little over Eighty-Five Thousand Pesos (P85,000.00) to herein petitioners without getting any type of security for the loan, not even a promissory note.

On the other hand, the version of the petitioners is much more consistent with the presumption that a person takes ordinary care of his concerns.

According to the petitioners, private respondents required them to surrender their transfer certificate of title over the lot and further required that they execute a Deed of Absolute Sale over the said lot before they could obtain the balance of the Three Hundred Thousand Pesos (P300,000.00) less the advance of P85,284.39 which was used to pay the petitioners' loan with the Central Bank Provident Fund to release the mortgage over the lot, and less the pre-deducted amount of P60,000.00 representing advance interest on the loan. The transfer certificate of title and the unnotarized Deed of Absolute Sale thus served as the security for the loan extended to the petitioner-spouses.

The Court had previously ruled:

"That a transaction was really one of loan with security, and therefore a mortgage, may be shown by the aid of surrounding circumstances, and parol evidence is competent in that respect. This rule has been accepted for many generations. The difficulty lies in its application, for many factors are to be considered, none of them conclusive in itself, but each to be considered in its company." [3]

In the case at bench, several factors are present which support the existence of an equitable mortgage, namely:

1. Petitioners lost no time in filing the complaint upon discovering that the private respondents had caused the cancellation of their (petitioners') title to the land.
2. Petitioners were financially distressed at the time of the transaction. This is admitted by the private respondents. [4]
3. Even if the petitioners' evidence consisting of an appraisal report of an independent real estate appraisal company [5] is inadmissible and unsupported, this report stating that the total market value of the property subject of this case was about One Million Four Hundred Twenty One Thousand Pesos (P1,421,000.00) as of 29 January 1987 and the testimony of petitioner Villamor Bellido that the value of the property in 1986 was about Nine Hundred Fifty Thousand Pesos (P950,000.00) [6] cannot be completely ignored by this Court.

In *Vallanca v. Court of Appeals* [7], this Court took judicial notice of the fact that real estate usually commands a market value much higher than its assessed value. In the case before us, while the alleged purchase price of Three Hundred Thousand Pesos (P300,000.00) may be a bit more than the market value reflected in the owner's copy of the Declaration of Real Property [8] totalling about Two Hundred Eighty Six Thousand Pesos (P286,000.00) only, the presence of other circumstances hereinabove discussed give rise to a conclusion that the stated purchase price (P300,000.00) was intentionally fixed to carefully or skillfully prevent the application of Articles 1602 and 1604 of the Civil Code.

WHEREFORE, premises considered, the decision sought to be reviewed is hereby SET ASIDE. The transaction entered into by petitioners Flordeliz L. Bellido and Villamor H. Bellido and private respondents Mamerto P. del Rio and Estelita L. del Rio is declared to be an equitable mortgage. The deed of absolute sale dated 5 March 1987 between petitioners and private respondents is declared NULL and VOID and, consequently, the Register of Deeds of Quezon City is ordered to cancel Transfer Certificate of Title No. 357776 for being void ab initio. Transfer Certificate of Title No. 277097 in the name of petitioner Flordeliz Lucindo-Bellido is ordered reinstated with all force and effect as though it had not been cancelled.

Costs against the private respondents.

SO ORDERED.

Narvasa, C.J., (Chairman), Regalado, Nocon, and Puno, JJ., concur.

* Penned by Justice Luis L. Victor with the concurrence of Justices Ricardo L. Pronove, Jr. and Eduardo G. Montenegro

[1] Rollo, pp. 25-26

* Penned by Judge Abraham P. Vera

[2] Rollo, p. 14

[3] *Serrano v. Court of Appeals*, G.R. No. L-46307, 9 October 1985, 139 SCRA 179

[4] Rollo, p. 48

[5] Exhibit "B" - Rebuttal

[6] TSN, 27 March 1990, pp. 4-5

[7] G.R. No. 55336, 4 May 1989, 173 SCRA 42

[8] Exhibit "4"

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