

**SPOUSES RICARDO AND MILAGROS HUANG, PETITIONERS, VS.
COURT OF APPEALS, JUDGE PEDRO N. LAGGUI, PRESIDING JUDGE,
RTC, MAKATI, BR. 60, AND SPOUSES DOLORES AND ANICETO
SANDOVAL, RES...**

G.R. No. 108525. September 13, 1994

Ponente: BELLOSILLO, J.

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BELLOSILLO, J.:

Sometime in 1965 respondent Dolores Sandoval wanted to buy two (2) lots in Dasmariñas Village, Makati, but was advised by petitioner Milagros Huang, wife of her brother, petitioner Ricardo Huang, that the policy of the subdivision owner forbade the acquisition of two (2) lots by a single individual. Consequently, Dolores purchased Lot 21 and registered it in her name. She also purchased the adjacent lot, Lot 20, but heeding the advice of Milagros, the deed of sale was placed in the name of Ricardo and registered in his name under TCT No. 204783. Thereafter, Dolores constructed a residential house on Lot 21. Ricardo also requested her permission to construct a small residential house on Lot 20 to which she agreed inasmuch as she was then the one paying for apartment rentals of the Huang spouses. She also allowed Ricardo to mortgage Lot 20 to the Social Security System to secure the payment of his loan of P19,200.00 to be spent in putting up the house. However, she actually financed the construction of the house, the swimming pool and the fence thereon on the understanding that the Huang spouses would merely hold title in trust for her beneficial interest.

On 19 March 1968, to protect her rights and interests as the lawful owner of Lot 20 and its improvements, Dolores requested the Huangs to execute in her favor a deed of absolute sale with assumption of mortgage over the property. The latter obliged.

On 15 March 1980, the Huang spouses leased the house to Deltron-Sprague Electronics Corporation for its various executives as official quarters without first securing the permission of Dolores. Dolores tolerated the lease of the property as she did not need it at that time. But, after sometime, the lessees started prohibiting the Sandoval family from using the swimming pool and the Huangs then began challenging the Sandovals' ownership of the property.

On 26 August 1980, Dolores lodged a complaint before the Office of the Barangay Captain praying that the spouses Ricardo and Milagros Huang be made to execute the necessary request to the SSS for the approval of the deed of sale with assumption of mortgage, as well as for the release in her favor of the owner's duplicate certificate of title in its possession so that the deed could be duly annotated on the title and/or a new certificate of title issued in her name. But no amicable settlement was reached, so that on 16 December 1980 the Lupong Tagapayapa issued a certification that the controversy was ripe for judicial action.

On 22 December 1980, Ricardo and Milagros Huang filed a complaint against the spouses Dolores and Aniceto Sandoval in the then Court of First Instance of Rizal, docketed as Civil Case No. 39702, seeking the nullity of the deed of sale with assumption of mortgage and/or quieting of title to Lot 20. They alleged that the Sandovals made

them sign blank papers which turned out to be a deed of sale with assumption of mortgage over Lot 20.

Meanwhile, on 19 February 1981, Dolores paid the balance of Ricardo's loan to the SSS and requested the release to her of TCT No. 204783 and the real estate mortgage thereon, but SSS refused. On the same date, she filed a complaint against the Huang spouses and the SSS before the same trial court, docketed as Civil Case No. 40288, praying among other things that: (a) the SSS be restrained from releasing the owner's copy of TCT No. 204783 to the Huang; (b) the SSS be ordered instead to release to her said title as well as the mortgage thereon; and, (c) the Register of Deeds of Rizal be ordered to register the deed of sale, cancel TCT No. 204783 and issue another one in her name.

Both cases were consolidated and jointly tried. On the basis of the evidence presented, the trial court found that it was indeed Dolores who bought Lot 20 but had it registered in the name of Ricardo; and, it was she who built the house and swimming pool thereon and the fence enclosing Lots 20 and 21. As regards the deed of sale with assumption of mortgage, the trial court found that it was signed voluntarily by the Huang spouses so much so that their claim that they were misled into signing it was unbelievable. Thus, on 23 November 1988, judgment was rendered in favor of the Sandoval spouses thus:

In Civil Case No. 39702 - (1) The complaint of the Huang spouses was dismissed; (2) The Sandovals were declared owners of Lot 20 and all the improvements thereon; (3) The deed of sale with assumption of mortgage was declared valid; (4) The Huang spouses and all persons acting in their behalf were ordered to vacate the property and turn over the possession to the Sandovals; (5) The Huang spouses were ordered jointly and severally to (a) deliver to the Sandoval spouses all the rentals and other income from Lot 20 which they received, and (b) pay to the Sandovals P5,000.00 as exemplary damages, P10,000.00 as attorney's fees, and the costs of suit; and, (6) The Register of Deeds of Rizal was ordered to (a) register the deed of sale with assumption of mortgage; (b) cancel TCT No. 204783, and (c) issue, in lieu thereof, a transfer certificate of title in the name of "Dolores Sandoval married to Aniceto Sandoval" upon compliance with all the legal requirements.

In Civil Case No. 40288 - (1) Ricardo, Milagros or the SSS who has custody of the owner's copy of TCT No. 204783 was ordered to surrender it to the Registry of Deeds of Rizal within ten (10) days from the finality of the decision, otherwise, for failure to do so, the title shall be deemed annulled and the Register of Deeds shall issue another owner's copy thereof in favor of the Sandovals, and (2) SSS was ordered to execute a discharge of the mortgage annotated on TCT No. 204783 and deliver it to Dolores within ten (10) days from the finality of the decision.[1]

The Huang spouses filed a motion for reconsideration and new trial and/or rehearing but it was denied by the trial court in its order of 26 July 1989.[2]

On appeal to the Court of Appeals, the decision of the trial court was affirmed.[3] The motion to reconsider the decision was denied.[4] Hence the instant recourse.

Petitioners assert that the finding of the Court of Appeals of a resulting or implied trust between them and Dolores is not supported by evidence. On the contrary, the deed of sale with assumption of mortgage has all the elements of an equitable mortgage. Granting arguendo that a resulting or implied trust exists between the parties, its enforcement is already barred by prescription. Petitioners argue that when the suit in the trial court was filed by Dolores on 19 February 1981 more than ten (10) years had already lapsed since TCT No. 204783 was issued on 11 October 1967. They also contend that jurisprudence has established the rule that the prescriptive period for an action for reconveyance based on fraud is ten (10) years, and that a resulting or implied trust is totally incompatible with the deed of sale with assumption of mortgage, hence, the existence of said deed cannot be vaguely dismissed as a mere security. It is the position of petitioners that the terms of the contract are rendered

conclusive upon the parties and evidence aliunde is not admissible to vary, contradict or dispute a complete and enforceable agreement embodied in a document.

The exhaustive decision of the trial court based as it is on a painstaking review of the entire records deserves our affirmance. Indeed, we find no reason to disturb the factual conclusions therein.

Ricardo claimed that he bought Lot 20 with his own money on installment: the first installment of P19,341.00 was paid on 5 November 1965, and the second installment of P39,279.75 was paid on 4 April 1966. He said that the money came from his salary as employee of the Universal Textile Mills, his commission as rice sales agent, his involvement in politics and other undeclared income.

But Ricardo's pretense was easily unmasked by the following circumstances: (1) His annual income as employee of Textile Mills was only P6,795.05 in 1964,[5] P6,295.05 in 1965[6] and P7,154.15 in 1966[7] as of 10 June 1967, he was only receiving a monthly salary of P600.00[8] (2) His commission as rice sales agent of Dolores was earned in connection with a 1973 transaction, and so he could not have used this commission in 1965 and 1966 for the purchase of Lot 20; (3) He never bothered to explain how he made money out of politics and how much he realized from it; and, (4) There is no evidence on the source, nature and amount of his undeclared income. The only logical conclusion then is that the money which was used to buy Lot 20 did not belong to him.

On the part of Dolores, she was able to prove by overwhelming evidence that she purchased Lot 20 with her own funds. She testified that Milagros informed her that she could not buy two (2) lots in the village in her name; instead, she suggested that one of the lots be bought in the name of Ricardo. This testimony was never refuted by Ricardo. Moreover, the Agreements to Purchase and Sell Lots 20[9] and 21[10] were both executed on 5 November 1965 and the first installments for both lots were paid on the same date, while the second installments were paid on 4 April 1966. These facts suggest that the lots were bought in a single transaction by only one person.

Dolores also testified that she gave the amount corresponding to the first installments for both lots to Milagros. Dolores was able to establish that she withdrew P19,500.00 from her deposit at the National City Bank of New York[11] and issued a Prudential Bank check for P19,341.00.[12] In payment of the second installments for the two lots, she withdrew P24,000.00 from the First National City Bank[13] and issued a check for P54,927.90.[14] Viewed together with the foregoing circumstances is the admission of Ricardo himself that Dolores constructed the swimming pool on Lot 20 and enclosed Lots 20 and 21 with a fence at her own expense.

Aside from Lot 20, Ricardo also asserted ownership of the house thereon which he claimed to have started constructing on 13 December 1967 and that it was "semi-accomplished" by 8 March 1968.

Weighed against the testimony of Dolores that for the cost of labor alone in the construction of the house she spent P45,000.00 while the other expenses are listed in Exhs. "20," "21" and "21-A" to "J," Ricardo could not have spent therefor because, as previously shown, his income was not sufficient enough. Neither could the P19,200.00 loan which he obtained from the SSS suffice. Dolores even had to shell out P5,062.68 on 7 May 1968 to pay for arrears in the rental of the apartment being occupied by the Huangs from November 1966 to February 1968; electric bills from March 1965 to December 1967; and, water bills up to February 1966,[15] to prevent the Huangs from being ejected from their apartment. Dolores' ownership of the house is confirmed further by the presence of her personal properties therein, e.g., chandelier,[16] furniture,[17] (c) Tai-ping rugs[18] and Sacred Heart statue.[19]

As a whole, spouses Huang's evidence failed to help them in their bid to establish ownership over Lot 20 and its improvements. They should know the Chinese proverb that "one simply cannot attain his purpose of chewing food

well if he were to do it by means of loose teeth."

Regarding the deed of sale with assumption of mortgage, Ricardo alleged that Dolores and his cousin, Rene Javier, pressured and misled him into signing it because of his P30,000.00 indebtedness to Dolores; the deed was "blank" in the sense that it did not have a title when he signed it; he did not read its contents; and, he did not acknowledge it before a notary public.

Ricardo's version of the circumstances under which he signed the deed in question is incredible. Human experience argues against the claim that a highly educated and mature man like Ricardo would sign a deed of sale without reading or knowing its contents. Ricardo graduated with the degree of Bachelor of Science in Architecture in 1955, and when he signed the deed he was about 39 years old. There is no evidence on record that Dolores "pressured" Ricardo to sign the deed. In fact, Milagros signed the document at the instance of Ricardo himself. The deed, which was duly notarized, enjoys the presumption of regularity in its execution. The claim of Ricardo that he was indebted to Dolores in the amount of P30,000.00, which he used in his pretense that he was coerced by her, was never established.

On the contrary, the testimony of Dolores is more in accord with reason and clearly disproves Ricardo's gratuitous allegations. She testified that she asked Ricardo and Milagros to sign the deed of sale for her and her children's protection because time would come when they would want the property for themselves. Besides, according to her, the Huang spouses read the contents of the deed and signed it before the notary public without any compulsion from her. We are therefore drawn to the inevitable conclusion that the Huang spouses voluntarily signed the deed before the notary public with full knowledge of its contents and in recognition of Dolores' ownership over Lot 20 and its improvements.

We shall discuss the merit, nay, the demerit of the Huang petition. First, there is need to define the basic concepts in a trust relationship. Trust is a fiduciary relationship with respect to property which involves the existence of equitable duties imposed upon the holder of the title to the property to deal with it for the benefit of another.[20] A person who establishes a trust is called the trustor; one in whom confidence is reposed as regards property for the benefit of another person is known as the trustee; and the person for whose benefit the trust has been created is referred to as the beneficiary[21] or cestui que trust. Trust is either express or implied. Express trust is created by the intention of the trustor or of the parties. Implied trust comes into being by operation of law.[22] The latter kind is either constructive or resulting trust. A constructive trust is imposed where a person holding title to property is subject to an equitable duty to convey it to another on the ground that he would be unjustly enriched if he were permitted to retain it. The duty to convey the property arises because it was acquired through fraud, duress, undue influence or mistake, or through breach of a fiduciary duty, or through the wrongful disposition of another's property. On the other hand, a resulting trust arises where a person makes or causes to be made a disposition of property under circumstances which raise an inference that he does not intend that the person taking or holding the property should have the beneficial interest in the property.[23] It is founded on the presumed intention of the parties, and as a general rule, it arises where, and only where such may be reasonably presumed to be the intention of the parties, as determined from the facts and circumstances existing at the time of the transaction out of which it is sought to be established.[24]

In the present case, Dolores provided the money for the purchase of Lot 20 but the corresponding deed of sale and transfer certificate of title were placed in the name of Ricardo Huang because she was advised that the subdivision owner prohibited the acquisition of two (2) lots by a single individual. Guided by the foregoing definitions, we are in conformity with the common finding of the trial court and respondent court that a resulting trust was created. Ricardo became the trustee of Lot 20 and its improvements for the benefit of Dolores as owner. The pertinent law is Art. 1448 of the New Civil Code which provides that there is an implied trust when property is sold and the

legal estate is granted to one party but the price is paid by another for the purpose of having the beneficial interest of the property. A resulting trust arises because of the presumption that he who pays for a thing intends a beneficial interest therein for himself.[25]

Petitioners' assertion that the deed of sale with assumption of mortgage has all the elements of an equitable mortgage must outrightly be rejected as it was apparently never brought to the attention of the trial court nor averred before respondent court. Well settled is the rule that, ordinarily, issues not raised in the trial court, let alone in the Court of Appeals, cannot be raised for the first time before this Court[26] as it would be offensive to the basic rule of fair play, justice and due process.[27]

Petitioners raise the issue of prescription. But the action to compel the trustee to convey the property registered in his name for the benefit of the cestui que trust does not prescribe.[28] If at all, it is only when the trustee repudiates the trust that the period of prescription commences to run.[29]

The prescriptive period is ten (10) years from the repudiation of the trust. It is ten (10) years because just as a resulting trust is an offspring of the law, so is the corresponding obligation to convey the property and the title thereto to the true owner. In this context, and vis-a-vis prescription, Art. 1144 of the New Civil Code, which is the law applicable, provides: "The following actions must be brought within ten years from the time the right of action accrues: (a) Upon a written contract; (b) Upon an obligation created by law; (c) Upon a judgment." [30]

Thus, the reckoning point is repudiation of the trust by the trustee because from that moment his possession becomes adverse, which in the present case gave rise to a cause of action by Dolores against the Huang spouses.[31] However, before the period of prescription may start, it must be shown that: (a) the trustee has performed unequivocal acts of repudiation amounting to an ouster of the cestui que trust; (b) such positive acts of repudiation have been made known to the cestui que trust; and, (c) the evidence thereon is clear and conclusive. In *Laguna v. Levantino*[32] and *Valdez v. Olorga*,[33] we held that acts which may be adverse to strangers may not be sufficiently adverse to the cestui que trust. A mere silent possession of the trustee unaccompanied by acts amounting to an ouster of the cestui que trust cannot be construed as an adverse possession. Mere perception of rents and profits by the trustee, and erecting fences and buildings adapted for the cultivation of the land held in trust, are not equivalent to unequivocal acts of ouster of the cestui que trust.

We agree with the trial court that the action filed by Dolores has not prescribed. Firstly, Ricardo has not performed any unequivocal act of repudiation amounting to an ouster of Dolores. The only acts which may be considered as indicative of his intention not to respect the trust anymore were his leasing the house without the prior knowledge of Dolores; his refusal to carry out the demand of Dolores that he must ask the lessees to vacate the house; and, his refusal to give the necessary papers to Dolores to enable her to get the title from the SSS. Secondly, the foregoing acts are not positive acts of repudiation; and, thirdly, the evidence on such acts is unclear and inconclusive. But even if the foregoing acts were manifest acts of repudiation made known to Dolores, the fact remains that they were done at the earliest only on 15 March 1980 when Ricardo leased Lot 20 and its improvements to Deltron. Dolores' complaint before the trial court was filed on 19 February 1981, or within the 10-year prescriptive period.

Petitioners are of the mistaken notion that the 10-year prescriptive period is counted from the date of issuance of the Torrens certificate of title. This rule applies only to the remedy of reconveyance which has its basis on Sec. 53, par. 3, P.D. No. 1529, otherwise known as the Property Registration Decree,[34] and Art. 1456 of the Civil Code.[35] Reconveyance is available in case of registration of property procured by fraud thereby creating a constructive trust between the parties, a situation which does not obtain in this case.

Without expressly stating so, petitioners' line of argument invokes Rule 130, Sec. 7, of the Rules of Court then

prevailing which states: "When the terms of an agreement have been reduced to writing, it is to be considered as containing all such terms and, therefore, there can be, between the parties and their successors-in-interest, no evidence of the terms of the agreement other than the contents of the writing."

The Huangs were less than candid to the Court when they merely invoked the general rule and completely ignoring the exceptions that are also explicitly provided therein: (a) where a mistake or imperfection of the writing or its failure to express the true intent and agreement of the parties, or the validity of the agreement is put in issue by the pleadings; and, (b) when there is an intrinsic ambiguity in the writing. In the present case, parol evidence is admissible because the deed of sale with assumption of mortgage failed to express the true intent and agreement of the parties. We concur with the finding of the appellate court that the deed was executed by the parties as security for the protection of the rights and interests of Dolores as the true and lawful owner of Lot 20 and its improvements.

Petitioners state prefatorily in their petition that this case involves sibling oppression. It does not. Rather, it is a battle between greed and thirst for justice, between a fortunate sister and a less fortunate brother, with the latter taking advantage of the former's bounty.

WHEREFORE, the petition is DENIED. The decision of respondent Court of Appeals dated 28 September 1992 and its resolution dated 8 January 1993, both sustaining the decision of the Regional Trial Court, are AFFIRMED, with costs against petitioners.

SO ORDERED.

Quiason and Kapunan, JJ., concur.

Davide, Jr., J., in the result.

Cruz, J., (Chairman), on official leave.

[1] Penned by Judge Pedro N. Laggui, RTC, Makati, Br. 60; Records, pp. 237-238.

[2] Id., pp. 374-378.

[3] Rollo, p. 41.

[4] Id., p. 43.

[5] Exh. "7".

[6] Exh. "8."

[7] Exh. "9."

[8] Exh. "6."

[9] Exh. "A."

[10] Exh. "14."

[11] Exh. "18."

[12] Exh. "13."

[13] Exh. "17."

[14] Exh. "15."

[15] Exh. "10."

[16] Exh. "23."

[17] Exh. "12," "12-A" to "12-D."

[18] Exh. "24."

[19] Exh. "22."

[20] Tolentino, Arturo M., Commentaries and Jurisprudence on the Civil Code of the Philippines, 1991 Reprinting, p. 669.

[21] Art. 1440, New Civil Code.

[22] Art. 1441, New Civil Code.

[23] Tolentino, op. cit., at p. 672.

[24] Gaston v. Republic Planters Bank, G.R. No. 77194, 15 March 1988, 158 SCRA 626.

[25] Heirs of Emilio Candelaria v. Romero, 109 Phil. 500 (1960).

[26] Elido v. Court of Appeals, G.R. No. 95441, 16 December 1992, 216 SCRA 637.

[27] Medida v. Court of Appeals, G.R. No. 98334, 8 May 1992, 208 SCRA 887.

[28] Caladiao v. Santos Vda. de Blas, No. L-19063, 29 April 1964, 10 SCRA 691; Diaz v. Gorricho, 103 Phil. 261 (1958); Ramos v. Ramos, No. L-19872, 3 December 1974, 61 SCRA 284.

[29] Enriquez v. Court of Appeals, No. L-48978, 27 May 1981, 104 SCRA 656; Heirs of Maria de la Cruz v. Court of Appeals, G.R. No. 76590, 26 February 1990, 182 SCRA 638.

[30] Applying by analogy the leading case of Amerol v. Bagumbaran, No. L-33261, 30 September 1987, 154 SCRA 396, where this Court elucidated on the prescriptive period of constructive trust.

[31] As is well known, prior to repudiation, the possession of a trustee is in law possession of the cestui que trust and, therefore, prescription does not begin to run.

[32] 71 Phil. 566 (1941).

[33] No. L-22571, 25 May 1973, 51 SCRA 1971.

[34] It provides that in all cases of registration procured by fraud, the owner may pursue all his legal and equitable remedies against the parties to such fraud.

[35] It provides 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.

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