

WILLIAM ALAIN MIALHE, PETITIONER, VS. COURT OF APPEALS AND REPUBLIC OF THE PHILIPPINES, RESPONDENTS.

G.R. No. 108991. March 20, 2001

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

Actions for the annulment of contracts prescribe in four years. If the ground for annulment is vitiation of consent by intimidation, the four-year period starts from the time such defect ceases. The running of this prescriptive period cannot be interrupted by an extrajudicial demand made by the party whose consent was vitiated. If the facts demonstrating the lapse of the prescriptive period are apparent from the records, the complaint should be dismissed.

The Case

Before us is a Petition for Review on Certiorari under Rule 45 of the Rules of Court, assailing the February 12, 1993 Decision[1] of the Court of Appeals (CA) in CA-GR SP No. 29327. The dispositive part of the assailed Decision reads:

"WHEREFORE, the Petition for Certiorari is hereby GRANTED. The Order dated September 11, 1992 of the Regional Trial Court of Manila, Branch II in Civil Case No. 90-52519 is ANNULLED and SET ASIDE and a new one is entered dismissing the complaint on the ground of prescription.

SO ORDERED."[2]

The Facts

The undisputed facts are summarized by the appellate court as follows:

"On March 23, 1990, [Petitioner] William Alain Mialhe, on his own behalf and on behalf of Victoria Desbarats-Mialhe, Monique Mialhe-Sichere and Elaine Mialhe-Lencquesaing filed a Complaint for Annulment of Sale, Reconveyance and Damages against [Respondent] Republic of the Philippines and defendant Development Bank of the Philippines before the [trial] court. It was alleged, to wit:

x x x x x x x x

- That plaintiffs were the former registered owners of three parcels of land located at J.P. Laurel St., San Miguel, Manila with an aggregate area of 5,574.30 square meters, and a one (1) storey building erected thereon, formerly covered by Transfer Certificate of Title No. 80645 of the Register of Deeds of Manila;

- That the above-mentioned properties had been owned by and in the possession of plaintiffs and their family for over one hundred (100) years until August 1, 1976;

- That on August 1, 1976, during the height of the martial law regime of the late President Ferdinand Marcos, [Respondent] Republic of the Philippines, through its armed forces, forcibly and unlawfully took possession of the aforesaid properties from defendants;

- That [Respondent] Republic of the Philippines, through its armed forces, continued its lawful and forcible occupation of the premises from August 1, 1976 to August 19, 1977 without paying rentals, despite plaintiffs' demands therefor;
- That meanwhile, the Office of the President showed interest in the subject properties and directed defendant DBP to acquire for the government the subject properties from plaintiff;
- That on or about August 19, 1977, through threats and intimidation employed by defendants, plaintiffs, under duress, were coerced into selling the subject properties to defendant DBP for the grossly low price of P2,376,805.00 or about P400.00 per square meter;
- That defendant DBP, in turn, sold the subject properties to [Respondent] Republic of the Philippines, through the Office of the President, in 1982;
- That the only factor which caused plaintiffs to sell their properties to defendant DBP was the threats and intimidation employed upon them by defendants;
- That after the late President Marcos left the country on February 24, [sic] 1986 after the EDSA revolution, plaintiffs made repeated extrajudicial demands upon defendants for [the] return and reconveyance of subject properties to them, the last being the demand letters dated 24 October 1989, copies of which are attached and made integral parts hereof as Annexes 'A' and 'A-1';
- That despite demands, defendants unjustifiably failed and refused, and still unjustifiably fail and refuse, to return and reconvey the subject properties to plaintiff;

x x x x x x x x

(par. 4-13 of the Complaint, pp. 28-29, Rollo).

On May 25, 1990, [respondent] filed its Answer denying the substantial facts alleged in the complaint and raising, as special and affirmative defenses, that there was no forcible take-over of the subject properties and that the amount paid to private respondents was fair and reasonable. Defendant DBP also filed its Answer raising as Special and Affirmative Defense that [petitioner's] action had already prescribed.

On August 3, 1990, the [trial] court issued an Order setting the pre-trial on September 20, 1990. Petitioner and private respondents filed their respective pre-trial briefs.

On March 5, 1992, [respondent] filed a Motion to Dismiss the complaint on the ground that the action ha[d] prescribed pursuant to Article (1)391 in relation to Article (1)390 of the Civil Code. Defendant DBP likewise filed a Motion for Preliminary Hearing of the Affirmative Defense raising the same ground of prescription as contained in the [respondent's] Motion to Dismiss.

On September 11, 1992, the [trial] court issued an Order, the dispositive portion of which reads, as follows:
`WHEREFORE, the motion for a preliminary hearing is hereby denied and the resolution of the motion to dismiss is deferred until trial x x x.' (pp. 23-26, rollo)."[3]

Respondent herein thus filed a Petition for Certiorari with the appellate court.

Ruling of the Court of Appeals

The CA ruled that petitioner's action had prescribed. A suit to annul a voidable contract may be filed within four (4) years from the time the defect ceases. As alleged in paragraph 12 of the Complaint, there is a clear indication that the alleged threat and intimidation employed against petitioner ceased when then President Ferdinand E. Marcos left the country on February 24, 1986. From February 24, 1986 to March 23, 1990, when the Complaint for Annulment of Sale was filed, more than four (4) years had elapsed. The CA also ruled that Article 1155 of the Civil Code, according to which a written extrajudicial demand by the creditors would interrupt prescription,

referred only to a creditor-debtor relationship, which is not the case here.

Hence, this Petition.[4]

The Issues

These are the issues presented before us:

"Whether the Court of Appeals committed gross reversible error in finding that the trial court acted with grave abuse of discretion tantamount to lack of jurisdiction.

"Whether the Court of Appeals committed gross reversible error in setting aside the trial court's order of 11 September 1992 and in finding that:

- petitioner's action had prescribed; and,
- petitioner's extrajudicial demands did not interrupt prescription."[5]

In the main, the Court will determine whether the action for the annulment of the Contract of Sale has prescribed.

The Court's Ruling

The Petition has no merit.

Main Issue:

Prescription

Section 3, Rule 16 of the Rules of Court which was in effect at the time, expressly allowed the trial court to "defer the hearing and determination of the motion [to dismiss] until the trial if the ground alleged therein does not appear to be indubitable." Under the 1997 Rules of Civil Procedure, the rule now reads as follows:

"Sec. 2. Hearing of motion. -- At the hearing of the motion, the parties shall submit their arguments on the questions of law and their evidence on the questions of fact involved except those not available at that time. Should the case go to trial, the evidence presented during the hearing shall automatically be part of the evidence of the party presenting the same.

"SEC. 3. Resolution of motion. -- After the hearing, the court may dismiss the action or claim, deny the motion, or order the amendment of the pleading.

"The court shall not defer the resolution of the motion for the reason that the ground relied upon is not indubitable.

"In every case, the resolution shall state clearly and distinctly the reasons therefor. (3a)"

In the present case, the trial court deferred until trial the resolution of the Motion to Dismiss, because it found that the Complaint did not show on its face that the action had already prescribed. It deemed it better to allow the parties to present their evidence in a full-blown trial.

We disagree. The CA correctly set aside the Order of the trial court. In *Gicano v. Gegato*,^[6] this Court held that a complaint may be dismissed when the facts showing the lapse of the prescriptive period are apparent from the records. In its words:

"x x x. We have ruled that trial courts have authority and discretion to dismiss an action on the ground of prescription when the parties' pleadings or other facts on record show it to be indeed time-barred; x x x and it may do so on the basis of a motion to dismiss, or an answer which sets up such ground as an affirmative defense; or even if the ground is alleged after judgment on the merits, as in a motion for reconsideration; or even if the defense has not been asserted at all, as where no statement thereof is found in the pleadings, or where a defendant has been declared in default. What is essential only, to repeat, is that the facts demonstrating

the lapse of the prescriptive period, be otherwise sufficiently and satisfactorily apparent on the record; either in the averments of the plaintiff's complaint, or otherwise established by the evidence."

The records in this case indubitably show the lapse of the prescriptive period, thus warranting the immediate dismissal of the Complaint.

The suit before the trial court was an action for the annulment of the Contract of Sale on the alleged ground of vitiation of consent by intimidation. The reconveyance of the three parcels of land, which the petitioner half-heartedly espouses as the real nature of the action, can prosper only if and when the Contract of Sale covering the subject lots is annulled. Thus, the reckoning period for prescription would be that pertaining to an action for the annulment of contract; that is, four years from the time the defect in the consent ceases.[7]

A perusal of the Complaint shows that the threat and intimidation ceased after then President Marcos left the country on February 24, 1986. In fact, it was only then that petitioner was allegedly able to muster the courage to make extrajudicial demands on the Republic of the Philippines. Paragraph 12 of the Complaint states:

"12. That after the late president Marcos left the country on February 24, 1986 after the EDSA revolution, plaintiffs made repeated extrajudicial demands upon defendants for [the] return and reconveyance of subject properties to them, the last being the demand letters dated 24 October 1989, copies of which are attached and made integral parts hereof as Annexes 'A' and 'A-1';"[8]

The foregoing was reiterated in the following statements in petitioner's Pretrial Brief:[9]

"x x x. During the height of the martial law era, the late President Ferdinand E. Marcos, through his armed forces, forcibly and unlawfully took possession of the property and after a year, directed the defendant Development Bank of the Philippines ("DBP") to buy the same from the plaintiffs. Plaintiffs were forced to sell the property for the measly sum of P2,376,805.00, which [translated] to about P400.00 per square meter. The property was later sold by defendant DBP to the defendant Republic of the Philippines ["Republic"], acting through the Office of the President. Plaintiffs pray the Honorable Court to declare their sale null and void and to order reconveyance of the property."

Moreover, courts were functioning after Marcos left the country. There was no hiatus in the judicial system. This is manifest in then Acting Chief Justice Claudio Teehankee's Circular No. 2, which is reproduced hereunder:

"TO:

ALL JUSTICES OF THE INTERMEDIATE APPELLATE COURT AND SANDIGANBAYAN; AND ALL JUDGES OF THE COURT OF TAX APPEALS, REGIONAL TRIAL COURTS, METROPOLITAN TRIAL COURTS IN CITIES, MUNICIPAL TRIAL COURTS, MUNICIPAL CIRCUIT TRIAL COURTS AND SHARI'A COURTS

"Reports have been received that some justices and judges have ceased or suspended performing their duties pending action on the courtesy resignations submitted by them in compliance with the call of the President of the Philippines.

"Courts are expected to continue discharging their judicial functions without interruption and delay in order to ensure the speedy disposition of their pending cases. You are, therefore, directed to continue with your regular sessions and the hearing and adjudication of cases and the proper discharge of your functions, until further notice from this court.

"Strict compliance thereof is hereby enjoined.

(Sgd) CLAUDIO TEEHANKEE
Acting Chief Justice"

The foregoing clearly shows that the alleged threat and intimidation, which vitiated petitioner's consent, ceased when Marcos left the country on February 24, 1986. Since an action for the annulment of contracts must be filed within four years from the time the cause of vitiation ceases, the suit before the trial court should have been filed anytime on or before February 24, 1990. In this case, petitioner did so only on March 23, 1990. Clearly, his action had prescribed by then.

Interruption of Prescription

Petitioner asserts that the extrajudicial demands pleaded in paragraph 12 of the Complaint legally interrupted prescription in accordance with Article 1155 of the Civil Code, which states:

"ART. 1155. The prescription of actions is interrupted when they are filed before the court, when there is extrajudicial demand by the creditors, and when there is any written acknowledgment of the debt by the debtor."

In other words, petitioner claims that because he is covered by the term "creditor," the above-quoted provision is applicable to him.

We are not persuaded. Petitioner himself avers that "the use of the terms 'creditor' and/or 'debtor' in Article 1155 of the Civil Code must relate to the general definition of obligations." [10] He then asserts that "an obligation is a juridical relation whereby a person (called the creditor) may demand from another (called the debtor) the observance of a determinate conduct, and in case of breach, may obtain satisfaction from the assets of the latter." [11] He also defines "credit" as the right to demand the object of the obligation. From his statements, it is clear that for there to be a creditor and a debtor to speak of, an obligation must first exist.

In the present case, there is as yet no obligation in existence. Respondent has no obligation to reconvey the subject lots because of the existing Contract of Sale. Although allegedly voidable, it is binding unless annulled by a proper action in court. [12] Not being a determinate conduct that can be extrajudicially demanded, it cannot be considered as an obligation either. Since Article 1390 of the Civil Code states that voidable "contracts are binding, unless they are annulled by a proper action in court," it is clear that the defendants were not obligated to accede to any extrajudicial demand to annul the Contract of Sale. [13]

In the absence of an existing obligation, petitioner cannot be considered a creditor, and Article 1155 of the Civil Code cannot be applied to his action. Thus, any extrajudicial demand he made did not, or will not, interrupt the prescription of his action for the annulment of the Contract of Sale.

WHEREFORE, the Petition is DENIED and the assailed Decision of the Court of Appeals AFFIRMED. Costs against petitioner.

SO ORDERED.

Melo, (Chairman), Gonzaga-Reyes, and Sandoval-Gutierrez, JJ., concur.
Vitug, J., no part; party's relation a former client.

[1] Penned by Justice Regina G. Ordonez-Benitez, with the concurrence of Justices Arturo B. Buena (Division chairman and now a member of this Court) and Eduardo G. Montenegro.

[2] CA Decision, p. 7; rollo, p. 41.

[3] Rollo, pp. 35-38.

[4] To eradicate its backlog of old cases, the Court on February 27, 2001 resolved to redistribute long-pending cases to justices who had no backlog, and who were thus tasked to prioritize them. Consequently, this case was raffled and assigned to the undersigned ponente for study and report on the same date.

[5] Petitioner's Memorandum, pp. 8-9; rollo, pp. 202-203.

[6] 157 SCRA 140, 145-146, January 20, 1988, per Narvasa, J. See also *Bergado v. CA*, 173 SCRA 497, May 19, 1989; *Garcia vs. Mathis*, 100 SCRA 250, September 30, 1980; *Philippine National Bank v. Pacific Commission House*, 27 SCRA 766, March 28, 1969.

[7] Article 1391 of the Civil Code reads:

"Art. 1391. The action for annulment shall be brought within four years.

The period shall begin:

In cases of intimidation, violence or undue influence, from the time the defect of the consent ceases.

x x x x x x x x."

See also *MWSS v. Lopez*, 297 SCRA 287, October 7, 1998; *Rodriguez v. Rodriguez*, 20 SCRA 908, July 31, 1967.

[8] Complaint, p. 3; rollo, p. 49.

[9] Rollo, p. 240.

[10] Petitioner's Memorandum, p. 19; rollo, p. 213.

[11] *Ibid.*, p. 20; rollo, p. 214.

[12] See *Agra v. PNB*, 309 SCRA 509, June 29, 1999; *Rio Grande Rubber Estate Co. Inc. v. Board of Liquidators*, 104 Phil. 863, November 28, 1958.

[13] See *Philippine National Bank v. Osete*, 24 SCRA 63, July 18, 1968.

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