

SPOUSES BERNARDO BUENAVENTURA AND CONSOLACION JOAQUIN, SPOUSES JUANITO EDRA AND NORA JOAQUIN, SPOUSES RUFINO VALDOZ AND EMMA JOAQUIN, AND NATIVIDAD JOAQUIN, PETITIONERS, VS. COU...

G.R. No. 126376. November 20, 2003

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

This is a petition for review on certiorari[1] to annul the Decision[2] dated 26 June 1996 of the Court of Appeals in CA-G.R. CV No. 41996. The Court of Appeals affirmed the Decision[3] dated 18 February 1993 rendered by Branch 65 of the Regional Trial Court of Makati ("trial court") in Civil Case No. 89-5174. The trial court dismissed the case after it found that the parties executed the Deeds of Sale for valid consideration and that the plaintiffs did not have a cause of action against the defendants.

The Facts

The Court of Appeals summarized the facts of the case as follows:

Defendant spouses Leonardo Joaquin and Felician Landrito are the parents of plaintiffs Consolacion, Nora, Emma and Natividad as well as of defendants Fidel, Tomas, Artemio, Clarita, Felicitas, Fe, and Gavino, all surnamed JOAQUIN. The married Joaquin children are joined in this action by their respective spouses.

Sought to be declared null and void ab initio are certain deeds of sale of real property executed by defendant parents Leonardo Joaquin and Felician Landrito in favor of their co-defendant children and the corresponding certificates of title issued in their names, to wit:

- Deed of Absolute Sale covering Lot 168-C-7 of subdivision plan (LRC) Psd-256395 executed on 11 July 1978, in favor of defendant Felicitas Joaquin, for a consideration of P6,000.00 (Exh. "C"), pursuant to which TCT No. [36113/T-172] was issued in her name (Exh. "C-1");
- Deed of Absolute Sale covering Lot 168-I-3 of subdivision plan (LRC) Psd-256394 executed on 7 June 1979, in favor of defendant Clarita Joaquin, for a consideration of P1[2],000.00 (Exh. "D"), pursuant to which TCT No. S-109772 was issued in her name (Exh. "D-1");
- Deed of Absolute Sale covering Lot 168-I-1 of subdivision plan (LRC) Psd-256394 executed on 12 May 1988, in favor of defendant spouses Fidel Joaquin and Conchita Bernardo, for a consideration of P54,[3]00.00 (Exh. "E"), pursuant to which TCT No. 155329 was issued to them (Exh. "E-1");
- Deed of Absolute Sale covering Lot 168-I-2 of subdivision plan (LRC) Psd-256394 executed on 12 May 1988, in favor of defendant spouses Artemio Joaquin and Socorro Angeles, for a consideration of P[54,3]00.00 (Exh. "F"), pursuant to which TCT No. 155330 was issued to them (Exh. "F-1"); and

- Absolute Sale of Real Property covering Lot 168-C-4 of subdivision plan (LRC) Psd-256395 executed on 9 September 1988, in favor of Tomas Joaquin, for a consideration of P20,000.00 (Exh. "G"), pursuant to which TCT No. 157203 was issued in her name (Exh. "G-1").

[6. Deed of Absolute Sale covering Lot 168-C-1 of subdivision plan (LRC) Psd-256395 executed on 7 October 1988, in favor of Gavino Joaquin, for a consideration of P25,000.00 (Exh. "K"), pursuant to which TCT No. 157779 was issued in his name (Exh. "K-1").]

In seeking the declaration of nullity of the aforesaid deeds of sale and certificates of title, plaintiffs, in their complaint, aver:

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The deeds of sale, Annexes "C," "D," "E," "F," and "G," [and "K"] are simulated as they are, are NULL AND VOID AB INITIO because -

a)

Firstly, there was no actual valid consideration for the deeds of sale xxx over the properties in litis;

b)

Secondly, assuming that there was consideration in the sums reflected in the questioned deeds, the properties are more than three-fold times more valuable than the measly sums appearing therein;

c)

Thirdly, the deeds of sale do not reflect and express the true intent of the parties (vendors and vendees); and

d)

Fourthly, the purported sale of the properties in litis was the result of a deliberate conspiracy designed to unjustly deprive the rest of the compulsory heirs (plaintiffs herein) of their legitime.

- XXI -Necessarily, and as an inevitable consequence, Transfer Certificates of Title Nos. 36113/T-172, S-109772, 155329, 155330, 157203 [and 157779] issued by the Registrar of Deeds over the properties in litis xxx are NULL AND VOID AB INITIO.

Defendants, on the other hand aver (1) that plaintiffs do not have a cause of action against them as well as the requisite standing and interest to assail their titles over the properties in litis; (2) that the sales were with sufficient considerations and made by defendants parents voluntarily, in good faith, and with full knowledge of the consequences of their deeds of sale; and (3) that the certificates of title were issued with sufficient factual and legal basis.[4] (Emphasis in the original)

The Ruling of the Trial Court

Before the trial, the trial court ordered the dismissal of the case against defendant spouses Gavino Joaquin and Lea Asis.[5] Instead of filing an Answer with their co- defendants, Gavino Joaquin and Lea Asis filed a Motion to Dismiss.[6] In granting the dismissal to Gavino Joaquin and Lea Asis, the trial court noted that "compulsory heirs have the right to a legitime but such right is contingent since said right commences only from the moment of death of the decedent pursuant to Article 777 of the Civil Code of the Philippines." [7]

After trial, the trial court ruled in favor of the defendants and dismissed the complaint. The trial court stated:

In the first place, the testimony of the defendants, particularly that of the xxx father will show that the Deeds of Sale were all executed for valuable consideration. This assertion must prevail over the negative allegation of plaintiffs.

And then there is the argument that plaintiffs do not have a valid cause of action against defendants since there can be no legitime to speak of prior to the death of their parents. The court finds this contention tenable. In determining the legitime, the value of the property left at the death of the testator shall be considered (Art. 908 of the New Civil Code). Hence, the legitime of a compulsory heir is computed as of the time of the death of the decedent. Plaintiffs therefore cannot claim an impairment of their legitime while their parents live.

All the foregoing considered, this case is DISMISSED.

In order to preserve whatever is left of the ties that should bind families together, the counterclaim is likewise DISMISSED.

No costs.

SO ORDERED.[8]

The Ruling of the Court of Appeals

The Court of Appeals affirmed the decision of the trial court. The appellate court ruled:

To the mind of the Court, appellants are skirting the real and decisive issue in this case, which is, whether xxx they have a cause of action against appellees.

Upon this point, there is no question that plaintiffs-appellants, like their defendant brothers and sisters, are compulsory heirs of defendant spouses, Leonardo Joaquin and Feliciano Landrito, who are their parents. However, their right to the properties of their defendant parents, as compulsory heirs, is merely inchoate and vests only upon the latter's death. While still alive, defendant parents are free to dispose of their properties, provided that such dispositions are not made in fraud of creditors.

Plaintiffs-appellants are definitely not parties to the deeds of sale in question. Neither do they claim to be creditors of their defendant parents. Consequently, they cannot be considered as real parties in interest to assail the validity of said deeds either for gross inadequacy or lack of consideration or for failure to express the true intent of the parties. In point is the ruling of the Supreme Court in *Velarde, et al. vs. Paez, et al.*, 101 SCRA 376, thus:

The plaintiffs are not parties to the alleged deed of sale and are not principally or subsidiarily bound thereby; hence, they have no legal capacity to challenge their validity.

Plaintiffs-appellants anchor their action on the supposed impairment of their legitime by the dispositions made by their defendant parents in favor of their defendant brothers and sisters. But, as correctly held by the court a quo, "the legitime of a compulsory heir is computed as of the time of the death of the decedent. Plaintiffs therefore cannot claim an impairment of their legitime while their parents live."

With this posture taken by the Court, consideration of the errors assigned by plaintiffs-appellants is inconsequential.

WHEREFORE, the decision appealed from is hereby AFFIRMED, with costs against plaintiffs-appellants.

SO ORDERED.[9]

Hence, the instant petition.

Issues

Petitioners assign the following as errors of the Court of Appeals:

- THE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE CONVEYANCE IN QUESTION HAD NO VALID CONSIDERATION.

- THE COURT OF APPEALS ERRED IN NOT HOLDING THAT EVEN ASSUMING THAT THERE WAS A CONSIDERATION, THE SAME IS GROSSLY INADEQUATE.
- THE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE DEEDS OF SALE DO NOT EXPRESS THE TRUE INTENT OF THE PARTIES.
- THE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE CONVEYANCE WAS PART AND PARCEL OF A CONSPIRACY AIMED AT UNJUSTLY DEPRIVING THE REST OF THE CHILDREN OF THE SPOUSES LEONARDO JOAQUIN AND FELICIANA LANDRITO OF THEIR INTEREST OVER THE SUBJECT PROPERTIES.
- THE COURT OF APPEALS ERRED IN NOT HOLDING THAT PETITIONERS HAVE A GOOD, SUFFICIENT AND VALID CAUSE OF ACTION AGAINST THE PRIVATE RESPONDENTS.[10]

The Ruling of the Court

We find the petition without merit.

We will discuss petitioners' legal interest over the properties subject of the Deeds of Sale before discussing the issues on the purported lack of consideration and gross inadequacy of the prices of the Deeds of Sale.

Whether Petitioners have a legal interest
over the properties subject of the Deeds of Sale

Petitioners' Complaint betrays their motive for filing this case. In their Complaint, petitioners asserted that the "purported sale of the properties in litis was the result of a deliberate conspiracy designed to unjustly deprive the rest of the compulsory heirs (plaintiffs herein) of their legitime." Petitioners' strategy was to have the Deeds of Sale declared void so that ownership of the lots would eventually revert to their respondent parents. If their parents die still owning the lots, petitioners and their respondent siblings will then co-own their parents' estate by hereditary succession.[11]

It is evident from the records that petitioners are interested in the properties subject of the Deeds of Sale, but they have failed to show any legal right to the properties. The trial and appellate courts should have dismissed the action for this reason alone. An action must be prosecuted in the name of the real party-in-interest.[12]

[T]he question as to "real party-in-interest" is whether he is "the party who would be benefitted or injured by the judgment, or the `party entitled to the avails of the suit.'"

x x x

In actions for the annulment of contracts, such as this action, the real parties are those who are parties to the agreement or are bound either principally or subsidiarily or are prejudiced in their rights with respect to one of the contracting parties and can show the detriment which would positively result to them from the contract even though they did not intervene in it (*Ibañez v. Hongkong & Shanghai Bank*, 22 Phil. 572 [1912]) xxx.

These are parties with "a present substantial interest, as distinguished from a mere expectancy or future, contingent, subordinate, or consequential interest.... The phrase `present substantial interest' more concretely is meant such interest of a party in the subject matter of the action as will entitle him, under the substantive law, to recover if the evidence is sufficient, or that he has the legal title to demand and the defendant will be protected in a payment to or recovery by him." [13]

Petitioners do not have any legal interest over the properties subject of the Deeds of Sale. As the appellate court stated, petitioners' right to their parents' properties is merely inchoate and vests only upon their parents' death. While still living, the parents of petitioners are free to dispose of their properties. In their overzealousness to

safeguard their future legitime, petitioners forget that theoretically, the sale of the lots to their siblings does not affect the value of their parents' estate. While the sale of the lots reduced the estate, cash of equivalent value replaced the lots taken from the estate.

Whether the Deeds of Sale are void
for lack of consideration

Petitioners assert that their respondent siblings did not actually pay the prices stated in the Deeds of Sale to their respondent father. Thus, petitioners ask the court to declare the Deeds of Sale void.

A contract of sale is not a real contract, but a consensual contract. As a consensual contract, a contract of sale becomes a binding and valid contract upon the meeting of the minds as to price. If there is a meeting of the minds of the parties as to the price, the contract of sale is valid, despite the manner of payment, or even the breach of that manner of payment. If the real price is not stated in the contract, then the contract of sale is valid but subject to reformation. If there is no meeting of the minds of the parties as to the price, because the price stipulated in the contract is simulated, then the contract is void.[14] Article 1471 of the Civil Code states that if the price in a contract of sale is simulated, the sale is void.

It is not the act of payment of price that determines the validity of a contract of sale. Payment of the price has nothing to do with the perfection of the contract. Payment of the price goes into the performance of the contract. Failure to pay the consideration is different from lack of consideration. The former results in a right to demand the fulfillment or cancellation of the obligation under an existing valid contract while the latter prevents the existence of a valid contract.[15]

Petitioners failed to show that the prices in the Deeds of Sale were absolutely simulated. To prove simulation, petitioners presented Emma Joaquin Valdoz's testimony stating that their father, respondent Leonardo Joaquin, told her that he would transfer a lot to her through a deed of sale without need for her payment of the purchase price.[16] The trial court did not find the allegation of absolute simulation of price credible. Petitioners' failure to prove absolute simulation of price is magnified by their lack of knowledge of their respondent siblings' financial capacity to buy the questioned lots.[17] On the other hand, the Deeds of Sale which petitioners presented as evidence plainly showed the cost of each lot sold. Not only did respondents' minds meet as to the purchase price, but the real price was also stated in the Deeds of Sale. As of the filing of the complaint, respondent siblings have also fully paid the price to their respondent father.[18]

Whether the Deeds of Sale are void
for gross inadequacy of price

Petitioners ask that assuming that there is consideration, the same is grossly inadequate as to invalidate the Deeds of Sale.

Articles 1355 of the Civil Code states:

Art. 1355. Except in cases specified by law, lesion or inadequacy of cause shall not invalidate a contract, unless there has been fraud, mistake or undue influence. (Emphasis supplied)

Article 1470 of the Civil Code further provides:

Art. 1470. Gross inadequacy of price does not affect a contract of sale, except as may indicate a defect in the consent, or that the parties really intended a donation or some other act or contract. (Emphasis supplied)

Petitioners failed to prove any of the instances mentioned in Articles 1355 and 1470 of the Civil Code which would invalidate, or even affect, the Deeds of Sale. Indeed, there is no requirement that the price be equal to the exact value of the subject matter of sale. All the respondents believed that they received the commutative value of

what they gave. As we stated in *Vales v. Villa*:^[19]

Courts cannot follow one every step of his life and extricate him from bad bargains, protect him from unwise investments, relieve him from one-sided contracts, or annul the effects of foolish acts. Courts cannot constitute themselves guardians of persons who are not legally incompetent. Courts operate not because one person has been defeated or overcome by another, but because he has been defeated or overcome illegally. Men may do foolish things, make ridiculous contracts, use miserable judgment, and lose money by them - indeed, all they have in the world; but not for that alone can the law intervene and restore. There must be, in addition, a violation of the law, the commission of what the law knows as an actionable wrong, before the courts are authorized to lay hold of the situation and remedy it. (Emphasis in the original)

Moreover, the factual findings of the appellate court are conclusive on the parties and carry greater weight when they coincide with the factual findings of the trial court. This Court will not weigh the evidence all over again unless there has been a showing that the findings of the lower court are totally devoid of support or are clearly erroneous so as to constitute serious abuse of discretion.^[20] In the instant case, the trial court found that the lots were sold for a valid consideration, and that the defendant children actually paid the purchase price stipulated in their respective Deeds of Sale. Actual payment of the purchase price by the buyer to the seller is a factual finding that is now conclusive upon us.

WHEREFORE, we AFFIRM the decision of the Court of Appeals in toto. SO ORDERED.

Davide, Jr., C.J., (Chairman), Panganiban, Ynares-Santiago, and Azcuna, JJ., concur.

[1] Under Rule 45 of the Rules of Court.

[2] Penned by Associate Justice Artemio G. Tuquero, with Associate Justices Cancio C. Garcia and Romeo J. Callejo, Sr., concurring.

[3] Penned by Judge Salvador S. Abad Santos.

[4] Rollo, pp. 29-31.

[5] Records, pp. 189, 204.

[6] Ibid. , pp. 170-175.

[7] Ibid. , p. 189.

[8] Ibid. , pp. 355-356.

[9] Rollo, pp. 32-33.

[10] Ibid., pp. 16-17.

[11] Article 1078 of the Civil Code of the Philippines states: "Where there are two or more heirs, the whole estate of the decedent is, before its partition, owned in common by such heirs, subject to the payment of debts of the deceased."

[12] Section 2, Rule 3, 1997 Rules of Civil Procedure.

[13] *Kilosbayan v. Morato*, 316 Phil. 652 (1995).

[14] See *Ladanga, et al. v. CA, et al.*, 216 Phil. 332 (1984). Cesar L. Villanueva, *Philippine Law on Sales* 54 (1998).

[15] Rido Montecillo v. Ignacia Reynes and Spouses Redemptor and Elisa Abucay, G.R. No. 138018, 26 July 2002.

[16] TSN, 17 May 1991, pp. 497-498.

[17] See Embrado v. Court of Appeals, G.R. No. 51457, 27 June 1994, 233 SCRA 335; TSN, 17 May 1991, 497-498 (Emma Joaquin Valdoz); TSN, 22 May 1991, pp. 11-12, 20-21 (Nora Joaquin Edra).

[18] TSN, 14 June 1991, p. 19 (Leonardo Joaquin); TSN, 30 October 1991, p. 6 (Fidel Joaquin); TSN, 27 November 1991, p. 10 (Felicitas Joaquin Carreon); TSN, 7 January 1992, pp. 5-6 (Artemio Joaquin); TSN, 31 January 1992, p. 12 (Clarita Joaquin Mendoza); TSN, 11 March 1992, pp. 16-17 (Tomas Joaquin).

[19] 35 Phil. 769 (1916).

[20] Nazareno v. Court of Appeals, G.R. No. 138842, 18 October 2000, 343 SCRA 637.

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