GUADALUPE S. REYES, PETITIONER, VS. COURT OF APPEALS AND JUANITA L. RAYMUNDO, RESPONDENTS.

G.R. No. 127608. September 30, 1999

Ponente: BELLOSILLO, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-127608/

BELLOSILLO, J.:

Petitioner Guadalupe S. Reyes sold to respondent Juanita L. Raymundo on 21 June 1967 one-half (1/2) of a 300 - square meter lot located at No. 4-F Calderon St., Project 4, Quezon City, denominated as Lot 8-B, for P10,000.00. Consequently, a new title, TCT No. 119205, was issued for the whole lot in the name of original owner Guadalupe S. Reyes and vendee Juanita L. Raymundo in equal shares.

Thereafter respondent was granted a P17,000.00 loan by the Government Service Insurance System (GSIS), where she was employed as records processor, with her one-half (1/2) share of the property as collateral. On 24 September 1969 petitioner sold her remaining interest in the property to respondent for P15,000.00 as evidenced by a deed of absolute sale, Exh. "E,"[1] and TCT No. 149036 was issued in the name of respondent in lieu of TCT No. 119205.

Since 1967 the house standing on the property subject of the second sale was being leased by the spouses Mario Palacios and Zenaida Palacios from petitioner. In December 1984 petitioner allegedly refused to receive the rentals thus prompting the Palacios spouses to file on 13 March 1985 a petition for consignation before the Metropolitan Trial Court of Quezon City. Later, the parties entered into a compromise agreement principally stating that the Palacios spouses would pay to petitioner the accrued rentals and that the leased period would be extended to 24 November 1986. On 28 May 1985 the compromise agreement was approved and judgment was rendered in accordance therewith.

It appears however that the Palacios spouses were subsequently ejected from the premises but managed somehow to return. When a contempt case was filed by petitioner against her lessees, respondent intervened and claimed ownership of the entire 300 - square meter property as well as the existence of a lease contract between her and the Palacios spouses supposedly dated 17 March 1987 but retroactive to 1 January 1987. On 12 August 1987 the trial court dismissed the case and from then on, the Palacioses paid rentals to respondent.

On 23 August 1987 petitioner filed a complaint against respondent before the Regional Trial Court of Quezon City for cancellation of TCT No. 149036 and reconveyance with damages. Petitioner alleged that the sale of 24 September 1969 was simulated since she was merely constrained to execute the deed without any material consideration pursuant to an agreement with respondent that they would construct an apartment on the property through the proceeds of an additional loan respondent would secure from the GSIS with the entire 300 - square meter property as collateral. But should the loan fail to materialize, respondent would reconvey the property subject of the second sale to petitioner. After petitioner learned that the loan was disapproved she repeatedly asked respondent for reconveyance but to no avail. Their true agreement was embodied in a private writing dated 10 January 1970.[2]

The trial court found that the second deed of sale was indeed simulated as it held that since the date of its execution respondent allowed petitioner to exercise ownership over the property by collecting rentals from the lessees until December 1986. It was only in 1987 when respondent intervened in the contempt case that she asserted ownership thereof. Likewise, the trial court sustained petitioner's claim that she was only prevailed upon to transfer the title to the whole lot to respondent in order to obtain a loan from the GSIS which, after all, did not materialize. Thus, on 29 May 1992 the trial court cancelled and declared null and void TCT No. 149036 as well as the second deed of sale. It ordered respondent to reconvey subject property to petitioner and to pay P25,000.00 as actual and exemplary damages, P10,000.00 as attorney's fees, and to pay the costs.[3]

Respondent Court of Appeals however held otherwise. It ruled that as between a notarized deed of sale earlier executed and the agreement of 10 January 1970 contained in a private writing, the former prevailed. It also found that petitioner's cause of action had prescribed since the complaint should have been filed either within ten (10) years from 1969 as an action to recover title to real property, or within ten (10) years from 1970 as an action based on a written contract. The appellate court further found that petitioner's cause of action was barred by laches having allowed respondent to stay in possession of the lot in question for eighteen (18) years after the execution of the second deed of sale. On 19 July 1996 the Court of Appeals set aside the ruling of the trial court and dismissed petitioner's complaint.[4] On 22 October 1996 it denied the motion to reconsider its decision.[5]

Petitioner posits that it was only in 1987 - when respondent intervened in the contempt case alleging to be the owner and lessor - did her cause of action accrue; hence, her complaint filed on 23 August 1987 has not yet prescribed. Petitioner asserts that the 10 January 1970 agreement is more credible and probable than the second deed of sale because such document contains their real intention.

In Heirs of Jose Olviga v. Court of Appeals[6] we restated the rule that an action for reconveyance of a parcel of land based on implied or constructive trust prescribes in ten (10) years, the point of reference being the date of registration of the deed or the date of the issuance of the certificate of title over the property. However, we emphasized that this rule applies only when the plaintiff or the person enforcing the trust is not in possession of the property since if a person claiming to be the owner thereof is in actual possession of the property the right to seek reconveyance, which in effect seeks to quiet title to the property, does not prescribe. The reason is that the one who is in actual possession of a piece of land claiming to be the owner thereof may wait until his possession is disturbed or his title is attacked before taking steps to vindicate his right. His undisturbed possession gives him a continuing right to seek the aid of a court of equity to ascertain and determine the nature of the adverse claim of a third party and its effect on his own title, which right can be claimed only by one who is in possession.

Actual possession of land consists in the manifestation of acts of dominion over it of such a nature as those a party would naturally exercise over his own property.[7] It is not necessary that the owner of a parcel of land should himself occupy the property as someone in his name may perform the act. In other words, the owner of real estate has possession, either when he himself is physically in occupation of the property, or when another person who recognizes his rights as owner is in such occupancy.[8] This declaration is conformably with Art. 524 of the Civil Code providing that possession may be exercised in one's own name or in the name another.

An example of actual possession of real property by an owner through another is a lease agreement whereby the lessor transfers merely the temporary use and enjoyment of the thing leased.[9] The Palacios spouses have been the lessees of petitioner since 1967 occupying the house erected on the property subject of the second sale. Petitioner was in actual possession of the property through the Palacioses and remained so even after the execution of the second deed of sale. It was only in 1987 - when respondent asserted ownership over the property and showed a lease contract between her and the Palacioses dated 17 March 1987 but effective 1 January 1987 - that petitioner's possession was disturbed. Consequently, the action for reconveyance filed on 23 August 1987

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

based on circumstances obtaining herein and contrary to the finding of respondent court has not prescribed. To be accurate, the action does not prescribe. Under Art. 1144, par. (1), of the Civil Code, an action upon a written contract must be brought within ten (10) years from the time the right of action accrues. And so respondent court also relied on this provision in ruling that petitioner's cause of action had prescribed. This is error. What is applicable is Art. 1410 of the same Code which explicitly states that the action or defense for the declaration of the inexistence of a contract, such as the second deed of sale, does not prescribe.

Respondent court declared petitioner guilty of laches anchored on the finding that for eighteen (18) years after the execution of the contract, respondent was in possession of the lot in question. But this finding is utterly unsupported by the evidence. On the contrary, the Palacioses alleged in their petition for consignation filed 13 March 1985 that they were "renting the apartment of the respondent (petitioner herein) located at No. 4-F Calderon Street, Project 4, Quezon City, since 1967 up to the present."[10] Even respondent herself admitted in her lease contract of 17 March 1987 with the Palacios spouses that "the LESSEES have been staying in the premises since 1967 under a previous lease contract with Guadalupe S. Reyes which, however, already expired."[11] Having thus corrected the finding of respondent court, our concern now is to determine whether laches should be appreciated against petitioner. The essence of laches is the failure or neglect for an unreasonable and unexplained length of time to do that which, by exercising due diligence, could or should have been done earlier; it is the negligence or omission to assert a right within a reasonable time, warranting a presumption that the party entitled to assert it either has abandoned it or declined to assert it.[12]

To be sure, there is no absolute rule as to what constitutes staleness of demand; each case is to be determined according to its particular circumstances. The question of laches is addressed to the sound discretion of the court and since laches is an equitable doctrine, its application is controlled by equitable considerations. It cannot be applied to defeat justice or to perpetrate fraud. In the case under consideration, it would be the height of injustice and inequity to apply laches against petitioner and vest ownership over a valuable piece of real property in favor of respondent by virtue of an absolutely simulated deed of sale never intended to convey any right over the subject property. It is the better rule that courts, under the principle of equity, be not guided or bound strictly by the doctrine of laches when to do so, manifest wrong or injustice would result.

Suntay v. Court of Appeals[13] and Santiago v. Court of Appeals[14] are binding precedents. In Suntay, Federico Suntay applied as a miller-contractor with the then National Rice and Corn Corporation but his application was disapproved due to several unpaid loans. He then told his nephew Rafael to apply instead. To obtain an approval, Rafael prepared a notarized absolute deed of sale whereby Federico, for and in consideration of P20,000.00, conveyed to Rafael a parcel of land with all its existing structures. Federico's title to the property was thereafter cancelled and another one issued to Rafael. Subsequently, Federico requested Rafael to reconvey to him the property for he intended to use it as collateral. Rafael however refused to do so, clinging to the deed of sale in his favor. We upheld the claim of Federico as we found that the deed of sale was absolutely simulated and therefore void. We observed that -

> Indeed the most protuberant index of simulation is the complete absence of an attempt in any manner on the part of the late Rafael to assert his rights of ownership over the land and rice mill in question. After the sale, he should have entered the land and occupied the premises thereof. He did not even attempt to. If he stood as owner, he would have collected rentals from Federico for the use and occupation of the land and its improvements. All that the late Rafael had was a title in his name x x x x
>
> x x x x The fact that, notwithstanding the title transfer, Federico remained in actual possession, cultivation and occupation of the disputed lot from the time the deed of sale was executed until the present, is a circumstance which is unmistakably added proof of the fictitiousness of the said transfer, the same being contrary to the principle of ownership.

In Santiago, Paula Arcega executed a deed of absolute sale of her parcel of land in favor of Josefina Arcega and spouses Regalado Santiago and Rosita Palabyab for P20,000.00. A new title was issued in the name of the vendees cancelling that of Paula. Later, a four (4) - bedroom house was built on the property. The master's bedroom, with toilet and bath, was occupied by Paula until her death despite the execution of the deed of sale. The three (3) other bedrooms, smaller than the master's bedroom, were occupied by the vendees. Then, an heir of Paula filed an action seeking to declare the nullity of the deed of sale on the ground of absence of consideration and that it was merely designed as an accommodation for the purpose of obtaining a loan from the Social Security System. Guided by Suntay, we annulled the deed of sale and the title of the vendees and ordered reconveyance of the property. We ratiocinated that -

> x x x x while petitioners were able to occupy the property in question, they were relegated to a small bedroom without bath and toilet, while Paula Arcega remained virtually in full possession of the completed house and lot using the big master's bedroom with bath and toilet up to the time of her death on April 10, 1985. If, indeed, the transaction entered into by the petitioners and the late Paula Arcega on July 8, 1971 was a veritable deed of absolute sale, as it was purported to be, then Mrs. Arcega had no business whatsoever remaining in the property and, worse, to still occupy the big master's bedroom with all its amenities until her death x x x x Definitely, any legitimate vendee of real property who paid for the property with good money will not accede to an arrangement whereby the vendor continues occupying the most favored room in the house while he or she, as the new owner, endures the disgrace and absurdity of having to sleep in a small bedroom without bath and toilet as if he or she is a guest or a tenant in the house. In any case, if petitioners really stood as legitimate owners of the property, they would have collected rentals from Paula Arcega for the use and occupation of the master's bedroom as she would then be a mere lesseee of the property in question. However, not a single piece of evidence was presented to show that this was the case. All told, the failure of petitioners to take exclusive possession of the property allegedly sold to them, or in the alternative, to collect rentals from the alleged vendee Paula Arcega, is contrary to the principle of ownership and a clear badge of simulation that renders the whole transaction void and without force and effect x x x x[15]

Squarely with Suntay and Santiago, petitioner remained in actual possession of subject property through the Palacioses even after the execution of the second deed of sale in 1969. The lessees paid rentals to petitioner since 1967. We note likewise that petitioner was the defendant in the consignation case. Respondent disdained to explain that she allowed petitioner to collect the rentals because she "did not mind" the nominal amount involved.

We are unconvinced simply because the supposed "unmindfulness" involved, not a short period, but a span of seventeen (17) years, or from 1969 up to 1986. Besides, it defies logic and borders more on absurdity that respondent bought the disputed property only to allow petitioner to continue exercising dominion over it by leasing it to the Palacioses at the same time benefiting therefrom in the form of rentals collected. The only change effected by the purported second deed of sale was the transfer of title to respondent. Respondent's "generosity" is too good to be true, in a manner of speaking. Rather, we agree with the trial court that the second deed of sale was simulated. Petitioner was constrained to transfer title over the property to respondent to enable the latter to mortgage it to the GSIS, the proceeds of which would be used to construct an apartment on the property.

True it is that as between a public document and a private document, the former prevails. But Santiago went further. We said therein that although the notarization of the deed of sale in question vests in its favor the presumption of regularity, it is not the intention nor the function of the notary public to validate and make binding an instrument that did not intend to have any binding legal effect upon the parties thereto. The intention of the parties still is and always will be the primary consideration in determining the true nature of a contract which in the present case was contained in the agreement of 10 January 1970.

Then, too, a comparison between respondent's signature on the 10 January 1970 agreement, on one hand, and her

signatures on the application for the reconstitution of TCT No. 149036[16] and the lease contract between her and the Palacios spouses,[17] on the other hand, discloses a striking similarity. No amount of denial by respondent will render ineffectual the 10 January 1970 agreement.

Moreover, the fact that respondent was able to secure a title in her name did not operate to vest ownership upon her of the property. Santiago cannot be any less unequivocal -

> x x x x That act has never been recognized as a mode of acquiring ownership. As a matter of fact, even the original registration of immovable property does not vest title thereto. The Torrens system does not create or vest title. It only confirms and records title already existing and vested. It does not protect a usurper from the true owner. It cannot be a shield for the commission of fraud. It does not permit one to enrich himself at the expense of another. Where one does not have any rightful claim over a real property, the Torrens system of registration can confirm or record nothing.[18]

WHEREFORE, the petition is GRANTED. The Decision of respondent Court of Appeals of 19 July 1996 ordering the dismissal of the complaint of petitioner Guadalupe S. Reyes and the Resolution of 22 October 1996 denying reconsideration are SET ASIDE. The Decision of the Regional Trial Court of Quezon City, Branch 106, of 29 May 1992 cancelling and declaring null and void TCT No. 149036, as well as the second deed of sale dated 24 September 1969 between petitioner and private respondent Juanita L. Raymundo, ordering the latter to reconvey the property subject of the second deed of sale to petitioner, and further ordering private respondent to pay petitioner P25,000.00 as actual and exemplary damages, P10,000.00 as attorney's fees, and to pay the costs, is REINSTATED and ADOPTED as the Decision in this case.

SO ORDERED.

Mendoza, Quisumbing, and Buena, JJ., concur.

---

[1] Records, p. 100.

[2] Exh. "G;" id., p. 102.

[3] Decision penned by Judge Jose M. Aguila, RTC Quezon City - Br. 106; Rollo, pp. 48-49.

[4] Decision penned by the late Justice Maximiano C. Asuncion with the concurrence of Justices Salome A. Montoya and Godardo A. Jacinto; Rollo, p. 40.

[5] Rollo, p. 42.

[6] G. R. No. 104813, 21 October 1993, 227 SCRA 330 cited in Vda. de Cabrera v. Court of Appeals, G. R. No. 108547, 3 February 1997, 267 SCRA 339.

[7] Ramos v. Director of Lands, 39 Phil. 175 (1918); Roales Brothers and Cousins v. Director of Lands, 51 Phil. 302 (1927) cited in Aquino, Ramon C., The Civil Code of the Philippines, 1990 Ed., p. 560.

[8] Repide v. Astuar, 2 Phil. 757 (1902).

[9] Jovellanos v. Court of Appeals, G. R. No. 100728, 18 June 1992, 210 SCRA 126; Art. 1643, Civil Code.

[10] Records, p. 95.

[11] Id., p. 104.

[12] Santiago v. Court of Appeals, G. R. No. 103959, 21 August 1997, 278 SCRA 98.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

[13] G. R. No. 114950, 19 December 1995, 251 SCRA 430.

[14] See Note 10.

[15] Id., p. 107.

[16] Records, p. 152.

[17] Id., p. 105.

[18] See Note 10, pp. 108-109.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at https://batas.org

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.