

**MIGUEL KATIPUNAN, INOCENCIO VALDEZ, EDGARDO BALGUMA
AND LEOPOLDO BALGUMA, JR., PETITIONERS, VS. BRAULIO
KATIPUNAN, JR., RESPONDENT.**

G.R. No. 132415. January 30, 2002

Ponente: SANDOVAL-GUTIERREZ, J.

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SANDOVAL-GUTIERREZ, J.:

Before us is a petition for review on certiorari[1] assailing the Decision[2] of the Court of Appeals dated July 31, 1997 in CA-GR CV No. 45928, “Braulio Katipunan, Jr. vs. Miguel Katipunan, Inocencio Valdez, Atty. Leopoldo Balguma, Sr., Edgardo Balguma and Leopoldo Balguma, Jr.” which set aside the Decision of the Regional Trial Court (RTC) of Manila, Branch 28, in Civil Case No. 87-39891 for annulment of a Deed of Absolute Sale.

The antecedents are:

Respondent Braulio Katipunan, Jr. is the owner of a 203 square meter lot and a five-door apartment constructed thereon located at 385-F Matienza St., San Miguel, Manila. The lot is registered in his name under TCT No. 109193[3] of the Registry of Deeds of Manila. The apartment units are occupied by lessees.

On December 29, 1985, respondent, assisted by his brother, petitioner Miguel Katipunan, entered into a Deed of Absolute Sale[4] with brothers Edgardo Balguma and Leopoldo Balguma, Jr. (co-petitioners), represented by their father Atty. Leopoldo Balguma, Sr., involving the subject property for a consideration of P187,000.00. Consequently, respondent’s title to the property was cancelled and in lieu thereof, TCT No. 168394[5] was registered and issued in the names of the Balguma brothers. In January, 1986, Atty. Balguma, then still alive, started collecting rentals from the lessees of the apartments.

On March 10, 1987, respondent filed with the RTC of Manila, Branch 21,[6] a complaint for annulment of the Deed of Absolute Sale, docketed as Civil Case No. 87-39891.[7] He averred that his brother Miguel, Atty. Balguma and Inocencio Valdez (defendants therein, now petitioners) convinced him to work abroad. They even brought him to the NBI and other government offices for the purpose of securing clearances and other documents which later turned out to be falsified. Through insidious words and machinations, they made him sign a document purportedly a contract of employment, which document turned out to be a Deed of Absolute Sale. By virtue of the said sale, brothers Edgardo and Leopoldo, Jr. (co-defendants), were able to register the title to the property in their names. Respondent further alleged that he did not receive the consideration stated in the contract. He was shocked when his sister Agueda Katipunan-Savellano told him that the Balguma brothers sent a letter to the lessees of the apartment informing them that they are the new owners. Finally, he claimed that the defendants, now petitioners, with evident bad faith, conspired with one another in taking advantage of his ignorance, he being only a third grader.

In their answer, petitioners denied the allegations in the complaint, alleging that respondent was aware of the contents of the Deed of Absolute Sale and that he received the consideration involved; that he also knew that the Balguma brothers have been collecting the rentals since December, 1985 but that he has not objected or

confronted them; and that he filed the complaint because his sister, Agueda Savellano, urged him to do so.[8]

Twice respondent moved to dismiss his complaint (which were granted) on the grounds that he was actually instigated by his sister to file the same; and that the parties have reached an amicable settlement after Atty. Balguma, Sr. paid him P2,500.00 as full satisfaction of his claim. In granting his motions for reconsideration, the trial court was convinced that respondent did not sign the motions to dismiss voluntarily because of his poor comprehension, as shown by the medical report of Dr. Annette Revilla, a Resident Psychiatrist at the Philippine General Hospital. Besides, the trial court noted that respondent was not assisted by counsel in signing the said motions, thus it is possible that he did not understand the consequences of his action.[9]

Eventually the trial court set the case for pre-trial. The court likewise granted respondent's motion to appoint Agueda Savellano as his guardian ad litem.[10]

After hearing, the trial court dismissed the complaint, holding that respondent failed to prove his causes of action since he admitted that: (1) he obtained loans from the Balgumas; (2) he signed the Deed of Absolute Sale; and (3) he acknowledged selling the property and that he stopped collecting the rentals.

Upon appeal by respondent, the Court of Appeals, on July 31, 1997, rendered the assailed Decision, the dispositive portion of which reads:

"WHEREFORE, the judgment appealed from is hereby REVERSED and SET ASIDE, and a new one entered annulling the Deed of Sale. Consequently, TCT No. 168394 is hereby declared null and void and of no force and effect. The Register of Deeds of Manila is directed to cancel the same and restore TCT No. 109193 in the name of Braulio Katipunan.

"SO ORDERED."

In reversing the RTC Decision, the Court of Appeals ruled:

"Upon close scrutiny of all the evidence on record, plaintiff-appellant's contention finds support in the certification dated August 4, 1987 issued by Dr. Ana Marie Revilla, a psychiatrist at the UP-PGH, who was presented as an expert witness. Her findings explained the reason why plaintiff-appellant showed a lot of inconsistencies when he was put on the stand. It supports the fact that plaintiff-appellant is slow in comprehension and has a very low IQ. Based on such findings, the trial court was faulted for its wrong assessment of appellant's mental condition. It arbitrarily disregarded the testimony of a skilled witness and made an unsupported finding contrary to her expert opinion.

Admittedly, expert witnesses when presented to the court must be construed to have been presented not to sway the court in favor of any of the parties, but to assist the court in the determination of the issue before it (*Espiritu vs. Court of Appeals*, 242 SCRA 362). Expert opinions are not ordinarily conclusive. They are generally regarded as purely advisory in character; the court may place whatever weight they choose upon such testimony and may reject it if they find it inconsistent with the facts in the case or otherwise unreasonable (*Basic Evidence* by Ricardo J. Francisco, pp. 202).

The trial court whose decision is now under review refused to admit the expert's testimony and prefer to base its decision on its findings that contrary to the allegation of the appellant, he is nonetheless capable of responding to the questions expounded to him while on the stand. In short, the court was swayed by its own observation of appellant's demeanor on the stand. Of course, the rule is to accord much weight to the impressions of the trial judge, who had the opportunity to observe the witnesses directly and to test their credibility by their demeanor on the stand (*People vs. Errojo*, 229 SCRA 49). Such impression however, is not per se the basis of a conclusion, for it needs conformity with the findings of facts relevant to the case.

We find it indispensable to give credit to the findings of Dr. Ana Marie Revilla, whose testimony remains

unshaken and unimpeached. The tests she made are revealing and unrebutted and has a bearing on facts of the case.

It is a proven fact that Braulio reached only Grade III due to his very low IQ; that he is illiterate; and that he can not read and is slow in comprehension. His mental age is only that of a six-year old child. On the other hand, the documents presented by the appellees in their favor, i.e., the deeds of mortgage and of sale, are all in English. There is no showing that the contracts were read and/or explained to Braulio nor translated in a language he understood.

Article 1332 of the Civil Code provides:

‘Art. 1332. When one of the parties is unable to read, or if the contract is in a language not understood by him, and mistake or fraud is alleged, the person enforcing the contract must show that the terms thereof have been fully explained to the former.’

Furthermore, if Braulio has a mental state of a six year old child, he can not be considered as fully capacitated. He falls under the category of ‘incompetent’ as defined in Section 2, Rule 92 of the Rules of Court, which reads:

‘Sec. 2. Meaning of Word ‘Incompetent’ - Under this rule, the word ‘incompetent’ includes persons suffering the penalty of civil interdiction or who are hospitalized lepers, prodigals, deaf and dumb who are unable to read and write, those who are of unsound mind, even though they have lucid intervals, and persons not being of unsound mind, but by reason of age, disease, weak mind, and other similar causes, can not, without outside aid, take care of themselves and manage their property, becoming thereby an easy prey for deceit and exploitation.’

We also note the admission of defendant-appellee Miguel Katipunan, that he and Braulio received the considerations of the sale, although he did not explain what portion went to each other of them. Anyway, there is no reason why Miguel should receive part of the consideration, since he is not a co-owner of the property. Everything should have gone to Braulio. Yet, Miguel did not refute that he was giving him only small amounts (coins).

As to the allegation of the scheme utilized in defrauding Braulio, neither Miguel nor Atty. Balguma refuted the statement of Braulio that he was being enticed to go abroad - which was the alleged reason for the purported sale. Nothing was explained about the alleged trip to NBI, the fake passport, etc., nor of Miguel’s own plans to go abroad. It is then most probable that it was Miguel who wanted to go abroad and needed the money for it.

In view of the foregoing, it is apparent that the contract entered into by Braulio and Atty. Balguma is voidable, pursuant to the provisions of Article 1390 of the Civil Code, to wit:

‘Art. 1390. The following contracts are voidable or annulable, even though there may have been no damage to the contracting parties:

- (1) Those where one of the parties is incapable of giving consent to a contract;
- (2) Those where the consent is vitiated by mistake, violence, intimidation, undue influence or fraud.

‘These contracts are binding, unless they are annulled by a proper action in court, they are susceptible of ratification.’”[11]

Petitioners filed a motion for reconsideration but was denied. Hence, this petition.

Petitioners, in seeking the reversal of the Court of Appeals’ Decision, rely heavily on the rule that findings of fact by the trial courts are entitled to full faith and credence by the Appellate Court. Petitioners contend that the Court of Appeals erred when it overturned the factual findings of the trial court which are amply supported by the evidence on record.

The petition is devoid of merit.

While it may be true that findings of a trial court, given its peculiar vantage point to assess the credibility of witnesses, are entitled to full faith and credit and may not be disturbed on appeal, this rule is not infallible, for it admits of certain exceptions. One of these exceptions is when there is a showing that the trial court had overlooked, misunderstood or misapplied some fact or circumstance of weight and substance, which, if considered, could materially affect the result of the case.[12] Also, when the factual findings of the trial court contradict those of the appellate court, this Court is constrained to make a factual review of the records and make its own assessment of the case.[13] The instant case falls within the said exception.

A contract of sale is born from the moment there is a meeting of minds upon the thing which is the object of the contract and upon the price.[14] This meeting of the minds speaks of the intent of the parties in entering into the contract respecting the subject matter and the consideration thereof.[15] Thus, the elements of a contract of sale are consent, object, and price in money or its equivalent.[16] Under Article 1330 of the Civil Code, consent may be vitiated by any of the following: (a) mistake, (2) violence, (3) intimidation, (4) undue influence, and (5) fraud.[17] The presence of any of these vices renders the contract voidable.

Here, as borne by the facts on hand, respondent signed the deed without the remotest idea of what it was, thus:

“ATTY. SARMIENTO:

Q

After Miguel received that money which amount you do not remember how much, do you remember having signed a document purported to be sale of property that which you owned?

A

Yes, I signed something because they forced me to sign.

COURT (To the witness)

Q

Do you know how to affix your signature?

A

Yes, Your Honor.

Q

You sign your name here. (witness is given a piece of paper by the court wherein he was made to sign his name)

ATTY. SARMIENTO:

Q

You said that you remember you have signed a document. Did you come to know what kind of document was that which you signed at that time?

A

I do not know.

Q

Where did you sign that document?

A

I signed that document in the house of Sencio.

Q

Where is this house of Sencio?

A

It is just behind our house at San Miguel.

Q

Nobody informed you what document you were signing?

A

Nobody informed me what document I was signing.

Q

Who asked you to sign that document?

A

My brother Miguel and Sencio asked me to sign that document.

Q

You never bothered to ask your brother Miguel why you were signing that document?

A

According to them, if I will not sign, something will happen.

Q

Who particularly told you that if you will not sign that document something will happen?

A

Atty. Balguma. (witness pointing to Atty. Balguma)

Q

You want to tell the court that Atty. Balguma at that time you signed that document was present?

A

Yes, sir, he was there

Q

What if any did Atty. Balguma do when you were asked to sign that document?

A

He was asking me also to sign.

COURT (To the witness)

Q

Were you threatened with a gun or any instrument?

A

No, Your Honor.

Q

How were you threatened?

A

I was shoved aside by Sencio and Miguel and I was surprised why they made me sign.

Q

Did you fall down when you were shoved?

A

I was made to move to the side.

Q

And because of that you signed that document that you were being forced to sign?

A

Yes, sir.

Q

What kind of paper did you sign?

A

A coupon bond paper.

Q

Was there something written?

A

There was something written on it, but I do not know.

Q

Was it typewritten?

A

There was something typewritten when it was shown to me but I do not know what it was.”[18] (Underscoring supplied)

The circumstances surrounding the execution of the contract manifest a vitiated consent on the part of respondent. Undue influence was exerted upon him by his brother Miguel and Inocencio Valdez (petitioners) and Atty. Balguma. It was his brother Miguel who negotiated with Atty. Balguma. However, they did not explain to him the nature and contents of the document. Worse, they deprived him of a reasonable freedom of choice. It bears stressing that he reached only grade three. Thus, it was impossible for him to understand the contents of the contract written in English and embellished in legal jargon. Even the trial court, in reinstating the case which it earlier dismissed, took cognizance of the medical finding of Dr. Revilla (presented by respondent’s counsel as expert witness) who testified during the hearing of respondent’s motion for reconsideration of the first order dismissing the complaint. According to her, based on the tests she conducted, she found that respondent has a very low IQ and a mind of a six-year old child.[19] In fact, the trial court had to clarify certain matters because Braulio was either confused, forgetful or could not comprehend.[20] Thus, his lack of education, coupled with his mental affliction, placed him not only at a hopelessly disadvantageous position vis-à-vis petitioners to enter into a contract, but virtually rendered him incapable of giving rational consent. To be sure, his ignorance and weakness made him most vulnerable to the deceitful cajoling and intimidation of petitioners. The trial court obviously erred when it disregarded Dr. Revilla’s testimony without any reason at all. It must be emphasized that petitioners did not rebut her testimony.

Even the consideration, if any, was not shown to be actually paid to respondent. Extant from the records is the fact that Miguel profited from the entire transaction and gave only small amounts of money to respondent, thus:

“Q

Do you know how much money was given to Miguel and from whom did that money come from?

A

I do not know how much, but the money came from Atty. Balguma.

Q

You do not know how much amount was given by Atty. Balguma and for what consideration was the money given you are not aware of that?

A

I am not aware because I was not there, I do not know anything.

Q

You want to tell the court that despite that it is you being the owner of this property it was Miguel who negotiated the asking of money from Atty. Balguma?

A

Yes, it is like that.

Q

Were you consulted by your brother Miguel when he asked money from Atty. Balguma?

A

No, sir, in the beginning he kept it a secret then later on he told us.

Q

You want to tell this court that it was only when your brother Miguel gave (you) money that he told you that “we have now the money from Atty. Balguma”?

A

No, sir, I did not even know where that money came from. He was about to leave for abroad when he told me that he received money from Atty. Balguma.

Q

Did you receive any amount from Miguel every time he was given by Atty. Balguma? You received also money from Miguel every time he was given by Atty. Balguma?

A

Yes, he would give me small denominations, “barya”.

Q

When you said “barya”, would you be able to tell the court how much this barya you are referring to is?

A

May be twenty pesos, may be ten pesos, but they are all loose change.

Q

Tell us how many times did Miguel receive money from Atty. Balguma as much as you can recall?

A

I do not know because every time my brother Miguel and Atty. Balguma would transact business, I was not present.

x x x

Q

Before or after the signing of this piece of paper were you given any big amount of money by your brother Miguel or Atty. Balguma or Sencio?

A

After signing that document, Atty. Balguma gave me several loose change “barya”, no paper bills. A just handful of coins.”[21] (Underscoring supplied)

We are convinced that respondent was telling the truth that he did not receive the purchase price. His testimony on this point was not controverted by Miguel. Moreover, Atty. Balguma admitted that it was Miguel who received the money from him.[22] What Miguel gave respondent was merely loose change or “barya-barya,” grossly disproportionate to the value of his property. We agree with the conclusion of the Court of Appeals that “it is then most probable that it was Miguel who wanted to go abroad and needed the money for it.”

In the case of Archipelago Management and Marketing Corp. vs. Court of Appeals,[23] penned by Justice Artemio V. Panganiban, this Court sustained the decision of the Court of Appeals annulling the deed of sale subject thereof. In that case, Rosalina (the owner) was convinced by her second husband to sign several documents, purportedly an application for the reconstitution of her burned certificate of title. However, said documents turned out to be a Deed of Absolute Sale where it was stipulated that she sold her property for P 1,200,000.00, a consideration which she did not receive. The Court ruled that Rosalina, who was quite old at that time she signed the deed, was tricked by her own husband, who employed fraud and deceit, into believing that what she was signing was her application for reconstitution of title.

A contract where one of the parties is incapable of giving consent or where consent is vitiated by mistake, fraud, or intimidation is not void ab initio but only voidable and is binding upon the parties unless annulled by proper

Court action. The effect of annulment is to restore the parties to the status quo ante insofar as legally and equitably possible-- this much is dictated by Article 1398 of the Civil Code. As an exception however to the principle of mutual restitution, Article 1399 provides that when the defect of the contract consists in the incapacity of one of the parties, the incapacitated person is not obliged to make any restitution, except when he has been benefited by the things or price received by him. Thus, since the Deed of Absolute Sale between respondent and the Balguma brothers is voidable and hereby annulled, then the restitution of the property and its fruits to respondent is just and proper. Petitioners should turn over to respondent all the amounts they received starting January, 1986 up to the time the property shall have been returned to the latter. During the pre-trial and as shown by the Pre-Trial Order, the contending parties stipulated that the Balguma brothers received from the lessees monthly rentals in the following amounts:

PERIOD AMOUNT OF RENTALS

January, 1986 to
December, 1987 P 481.00 per month

January, 1988 to
December, 1988 P2,100.00 per month

January, 1989 to
present P3,025.00 per month

Article 24 of the Civil Code enjoins courts to be vigilant for the protection of a party to a contract who is placed at a disadvantage on account of his ignorance, mental weakness or other handicap, like respondent herein. We give substance to this mandate.

WHEREFORE, the petition is DENIED. The assailed Decision of the Court of Appeals dated July 3, 1997 in CA-GR CV No. 45928 is AFFIRMED with MODIFICATION in the sense that petitioners Edgardo Balguma and Leopoldo Balguma, Jr., are ordered to turn over to respondent Braulio Katipunan, Jr. the rentals they received for the five-door apartment corresponding to the period from January, 1986 up to the time the property shall have been returned to him, with interest at the legal rate. Costs against petitioners.

SO ORDERED.

Melo, (Chairman), Vitug, Panganiban, and Carpio, JJ., concur.

[1] Under Rule 45 of the 1997 Rules of Civil Procedure, as amended.

[2] Penned by Associate Justice Delilah Vidallon-Magtolis, and concurred in by Associate Justices Cancio C. Garcia and Artemio Tuquero, 15th Division.

[3] Records, p. 6.

[4] Ibid, p. 7.

[5] Ibid, p. 8.

[6] The case was later on re-raffled to Branch 28 of the same RTC.

[7] Records, pp. 1-4.

[8] Ibid, pp. 16-18.

[9] Ibid, pp. 68-70.

[10] Ibid,, pp. 119-120.

[11] CA Decision, pp. 5-8; Rollo, pp. 46-49.

[12] Pag-ibig Village Association v. Angon, 356 Phil. 49, 55, citing People v. Pascual, 208 SCRA 393, 399 (1992), People v. Simon, 209 SCRA 148,156 (1992); People v. Matrimonio, 215 SCRA 613, 628-629 (1992), People v. de Leon, 245 SCRA 538, 545 (1995); People v. Delovino, 247 SCRA 637, 646-647 (1995).

[13] Sps. Rosario v. Court of Appeals et al., G.R. No. 127005, July 19, 1999; Development Bank of the Philippines v. Court of Appeals, 302 SCRA 362; Alba Vda. De Paz v. Court of Appeals, 314 SCRA 36.

[14] Art. 1475, Civil Code.

[15] Lustan v. Court of Appeals, G. R. 111924, January 27, 1997.

[16] Dizon v. Court of Appeals, G.R. 124741, January 28, 1999.

[17] Archipelago Management and Marketing Corp. vs. Court of Appeals, 359 Phil. 363, 374.

[18] TSN, August 30, 1990, pp. 16-20.

[19] TSN, March 4, 1988, p. 7.

[20] TSN, September 21, 1990, p. 24; October 4, 1990, pp. 2-10.

[21] Ibid, pp. 12-16, 21.

[22] TSN, September 21, 1990, p. 35; October 4, 1990, p. 5.

[23] Supra.

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