ELENITA C. ISHIDA AND CONTINENT JAPAN CO., INC.,PETITIONERS,VS. ANTUSA DE MESA-MAGNO, FIRMO DE MESA, MERCED LORENZA DE MESA, TEODORO DE MESA, AND LOURDES DE MESA-MENDOZA, RESPON...

G.R. NO. 136260. July 28, 2006

Ponente: GARCIA, J.

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GARCIA, J.:

Assailed and sought to be set aside in this petition for review under Rule 45 of the Rules of Court is the Decision[1] dated October 15, 1996 of the Court of Appeals (CA) in CA-G.R. CV No. 441550, as reiterated in its Resolution[2] of October 28, 1998 denying herein petitioners' motion for reconsideration. The basic CA Decision reversed that of the Regional Trial Court (RTC) of Quezon City, Branch 106, in an action for annulment of sale thereat commenced by the petitioners against the herein respondents.

Reviewed, the records reveal the following factual antecedents:

Sometime in June 1987, the spouses Francisco Magno and Antusa de Mesa-Magno, the latter acting in her own behalf and in behalves of her co-respondent brothers and sisters, namely, Firmo de Mesa, Merced Lorenza de Mesa, Teodoro de Mesa and Lourdes de Mesa-Mendoza, executed a Deed of Sale with Mortgage[3] in favor of petitioner Continent Japan Co., Inc., represented in the deed by its co-petitioner Elenita Ishida.

Subject of the deed were a fishpond, a residential lot and a horticular land, all located in Lubao, Pampanga and registered under three separate transfer certificates of title (TCTs) in the names of respondent Antusa de Mesa-Magno and her co-respondents. The consideration for the sale was Five Million, One Hundred Fifty Thousand (P5,150,000.00) Pesos, of which Two Million, Seven Hundred Fifty Thousand (P2,750,000.00) Pesos was paid at the time the deed was executed, with the balance of Two Million, Four Hundred Thousand (P2,400,000.00) Pesos being secured by a mortgage of the properties sold. As agreed, the aforesaid balance of P2,400,000.00 in the purchase price shall be paid, as follows: P500,000.00, on or before October 31, 1987; and P1,900,000.00, on or before December 31, 1987.

Despite the sale, titles to the properties were not immediately transferred to the vendee-mortgagor Continent Japan Company, Inc., because its Articles of Incorporation which is required to effect the transfer was not readily available. It was only sometime in October 1987, after the vendee had submitted its Articles of Incorporation showing it to be a domestic corporation, that three (3) TCTs over the properties sold were issued in its name, to wit: TCT Nos. 249756-R, 249757-R and 2497-R.

Meanwhile, due to the alleged failure of the respondents to immediately effect the transfer of titles to the corporation, the latter's alleged financial partners withdrew their financial commitments. On account thereof, the corporation was not able to make payments of the balance in the purchase price, by reason of which the respondents foreclosed the mortgage in accordance with the terms and conditions of the parties' Deed of Sale

With Mortgage. Thereafter, foreclosure proceedings ensued. Ultimately, the respondents acquired the mortgaged properties in a public auction and obtained new TCTs in their names.

It was against the foregoing backdrop of events that, on January 11, 1988, in the RTC of Quezon City, the petitioners filed against the respondents their complaint[4] in this case, which was docketed as Civil Case No. Q-Q-52656 and raffled to Branch 106 of the court.

After the issues were joined and all preliminary incidents resolved, the trial court came out with its decision[5] on October 4, 1993, rendering judgment for the petitioners, as plaintiffs, thus:

> WHEREFORE, by preponderance of evidence, judgment is hereby rendered declaring the contract of sale of the fishpond property entered into by and between Sps. Francisco Magno and Antusa de Mesa Magno and Continent Japan Co. Inc. represented by Alenita Ishida annulled. Defendants are ordered to return to plaintiff the amount of Four Million Five Hundred Thousand (P4,500,000.00) Pesos plus interest at the rate of 12% per annum from August 1, 1987 until fully paid. The titles over the property subject of the sale having been registered back to the name of defendants/vendors, the plaintiff is under no obligation to restore anything to the defendant.
>
> Further, defendant is hereby ordered to pay plaintiff the following:
>
> - The amount of One Hundred Thousand (P100,000.00) or actual and moral damages;
>
> - The amount of Fifty (P50,000.00) Thousand Pesos as attorney's fees, and
>
> - Costs of suit.
>
> SO ORDERED.

Therefrom, the respondents went on appeal to the CA in CA-G.R. CV No. 441550. As stated at the threshold hereof, the appellate court, in its Decision[6] dated October 15, 1996, reversed that of the RTC and dismissed the petitioners' complaint, to wit:

> WHEREFORE, premises considered, the appeal is GRANTED. The decision appealed from is hereby REVERSED and SET ASIDE and new judgment is hereby rendered DISMISSING the complaint.
>
> Counter-claim is likewise DISMISSED.
>
> Costs against plaintiff-appellees.
>
> SO ORDERED.

Their motion for reconsideration having been denied by the CA in its equally challenged Resolution[7] of October 28, 1998, petitioners are now with this Court via the present recourse, arguing that the CA acted with patent grave abuse of discretion -

> I

XXX IN FAILING TO RULE THAT THE TRIAL COURT CORRECTLY DECREED THE ANNULMENT OF THE SALE OF THE FISHPOND PROPERTY.

II

XXX IN FAILING TO RULE THAT THE COMPLAINT WAS NOT RENDERED MOOT AND ACADEMIC BY THE FORECLOSURE AND CONSOLIDATION OF THE SUBJECT PROPERTIES BY RESPONDENTS.

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III

XXX IN FAILING TO RULE THAT THE TRIAL COURT CORRECTLY RENDERED JUDGMENT IN FAVOR OF PETITIONERS.[8]

The petition lacks merit.

As we see it, the forefront issue is whether, under the facts obtaining in this case, the CA committed an error in reversing the trial court's decision annulling the parties' Deed of Sale with Mortgage.

We rule and so hold that the CA did not.

From the very allegations of petitioners' initiatory pleading before the trial court which they simply styled as a Complaint without specifying what their complaint was for, it is crystal clear that petitioners as plaintiffs in the suit never asked the trial court to annul the subject Deed of Sale with Mortgage. Instead, in their complaint, petitioners merely prayed for a judgment ordering the respondents, as defendants:

> - to effect the transfer of the titles over the property to Continent Japan Co., Inc. and to deliver the same;
>
> - to pay actual damages in the amount of One Million Five Hundred (P1,500,000.00) Pesos which was sustained by plaintiffs due to the failure by defendants to immediately effect the transfer and delivery of the titles over the land, causing the former's financial partners to withdraw their financial commitments;
>
> - to restore of the piggery property or in the alternative, the reduction of the consideration in the amount of Three Hundred Fifty Thousand (P350,000.00) Pesos;
>
> - to compensate the plaintiffs in the amount of One Hundred Thousand (P100,000.00) Pesos for the fruits harvested from the property as well as the fixtures removed from the property bought;
>
> - to compensate the plaintiffs in the amount of One Million (P1,000,000.00) Pesos for the difference in the actual number of prawns harvested from the fishpond;
>
> - to compensate Elenita Ishida the amount of Two Hundred Fifty Thousand (P250,000.00) Pesos as and by was of moral damages;
>
> - to pay exemplary damages in the amount of Two Hundred Fifty Thousand (P250,000.00) Pesos;
>
> - to pay attorney's fees in the amount of Two Hundred Fifty Thousand (P250,000.00) Pesos; and
>
> - to pay the costs of suit.

Clear it is from the above that petitioners never asked for the annulment of the contract of sale with mortgage. For sure, the reliefs prayed for are even inconsistent with what the trial court decreed, i.e., annulment of the parties' basic contract. The Court, as did the CA before it, is thus at a loss to understand why the trial court, instead of focusing itself to the reliefs sought by the petitioners, proceeded to annul the basic contract itself, a course of action which, to stress, is even inconsistent with the very existence of the contract from whence the reliefs asked merely sprung. As aptly pointed out by the CA in the decision under review:

> A careful perusal of the complaint will show as clearly appearing in the discussion of the facts of the case that nowhere in its prayer nor in the body of the complaint did [petitioners] ask for the annulment of the contract of sale with the [respondents]. Evidence is wanting for such a relief to be granted. (Words in brackets supplied).

Evidently, in veering away from what the complaint prayed for, the trial court was of the view that there was no meeting of the minds of the parties vis a vis their Deed of Sale with Mortgage. In the words of the trial court, "[E]vident is the existence of the documents executed prior to, at the time or subsequent to the alleged transaction

and agreement to sell and to buy the subject property."

The records indeed show that after the execution of the Deed of Sale with Mortgage, the parties executed an Addendum thereto (Exh. "6"), enumerating therein certain properties within the area of the real properties subject of the sale, which were excluded therefrom. As correctly observed by the CA, however, the Addendum was not even necessary because the excluded properties were already enumerated in pages 2 and 3 of the Deed of Sale with Mortgage.

In any event, and, again, as correctly pointed out by the CA, to which we are in full accord:

> It is error for the court a quo to hold that there was no meeting of the minds between the parties. It must be borne in mind that the principal object of the contract of sale with mortgage are the three adjoining parcels of land, and that the confusion as to the exclusion of the piggery as well as the fruits harvested does not warrant the annulment of the contract. They are merely incidental to the contract.
>
> To warrant a declaration of nullity of the contract, the doubts or obscurities must be cast upon the principal object of the contract (which in this case are three parcels of land) in such a way that the true intention of the parties cannot be known . Par. 2, Art. 1378 of the Civil Code provides:
>
> xxx xxx xxx
>
> If the doubts are cast upon the principal object of the contract in such a way that it cannot be known what may have been the intention or will of the parties, the contract shall be null and void.

If the doubt refers to the incidental circumstances of an onerous contract, the doubt shall be settled in favor of the greatest reciprocity. For this purpose, par. 1 of the abovecited articles provides:

> When it is absolutely impossible to settle doubts by the rules established in the preceding articles, and the doubts refer to incidental circumstances of a gratuitous contract, the least transmission of rights and interests shall prevail. If the contract is onerous, the doubt shall be settled in favor of the greatest reciprocity of interest.

Such a confusion merely led to the failure of the parties to express in the contract the true intention of their agreement, the proper remedy of which is reformation of the contact under Chapter 4, Title 2, Book IV (Obligations and Contracts) of the Civil Code.

This brings us to petitioners' second submission that the CA committed grave abuse of discretion in failing to rule that their complaint was not rendered moot and academic by the foreclosure proceedings and the resulting consolidation of titles over the mortgaged assets in the names of the respondents. Put differently but with the same sense, it is petitioners' contention that despite the foreclosure proceedings and the consolidation of titles in respondents' name, the viability of their complaint was never affected.

We disagree.

First, with the reality that the properties subject of the suit were already sold at a public auction and titles thereto already registered in the names of the respondents there is simply no rhyme nor reason to hold that the complaint had not thereby been rendered moot and academic, more so in the light of the prayers therein embodied.

Second, and as explained by the CA in its Resolution of October 28, 1998 which denied petitioners' motion for reconsideration:

> xxx To ask for the annulment or rescission of the transaction between the parties at this time will be iniquitous considering that [petitioners] had a hand in the delay in the transfer of the titles to the properties in the name of the [petitioner] Continent Japan Co. Besides, as [respondent] correctly pointed out, no evidence was adduced during the proceedings before the trial court tending to prove that [petitioners] are entitled to the annulment of

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the contract between them as a relief.[9]

With the view we take of this case, we find it unnecessary to address petitioners' third lament.

WHEREFORE, the petition is DENIED and the assailed Decision and Resolution of the CA in CA-G.R. CV No. 441550 are AFFIRMED.

Costs against petitioners.

SO ORDERED.

Puno, (Chairperson), Sandoval-Gutierrez, Corona, and Azcuna, JJ., concur.

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[1] Penned by Associate Justice Jose C. de la Rama (ret.) with Associate Justices Emeterio C. Cui (ret.) and Eduardo Montenegro (ret.), concurring; Rollo, pp. 43-50.

[2] Penned by Associate Justice Ramon A. Barcelona (ret.) and concurred in by Associate Justice, later a member of this Court, Arturo B. Buena (now ret.) and former Associate Justice Demetrio G. Demetria; Rollo, pp. 53-57.

[3] RTC Records, pp. 22-25.

[4] RTC Records, pp. 4-17.

[5] RTC Records, pp. 434-444.

[6] Supra note 1.

[7] Supra note 2.

[8] Rollo, pp. 11-12.

[9] Rollo, pp. 56-57.

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