

AMADO Z. AYSON, JR., PETITIONER, VS. SPOUSES FELIX AND MAXIMA PARAGAS, RESPONDENTS.

G.R. No. 146730. July 04, 2008

Ponente: NACHURA, J.

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NACHURA, J.:

For review on certiorari under Rule 45 of the Rules of Court are the Decision[1] dated May 31, 2000 and the Resolution[2] dated December 12, 2000 of the Court of Appeals in CA-G.R. CV No. 59645.

The subject of this controversy is the one-fourth (1/4) portion of, corresponding to the share of respondent Maxima Paragas in, the real property located at Caranglaan District, Dagupan City, originally covered by Transfer Certificate of Title No. 7316 of the Register of Deeds of Dagupan City.

The controversy commenced with the filing of an ejectment complaint[3] on April 12, 1993 before Branch 1 of the Municipal Trial Court in Cities (MTCC) of Dagupan City by herein petitioner Amado Z. Ayson, as represented by his natural father Zosimo S. Zareno[4] (Zareno), against respondent-spouses Felix and Maxima Paragas. The complaint, docketed as Civil Case No. 9161, alleged, among others, that: (1) petitioner is the registered owner of the property being occupied by the respondent-spouses as shown by Transfer Certificate of Title No. 59036 of the Registry of Deeds of Dagupan City in his name; (2) respondent-spouses are occupying the said land through his tolerance without rent; (3) on April 8, 1992, respondent-spouses executed an Affidavit[5] which declared:

- That we are occupants of a parcel of land (Lot 6595-A-2) covered by Transfer Certificate of Title No. 57684 located at Caranglaan District, Dagupan City owned by Amado Ll. Ayson;
- That we occupy the said land by tolerance without paying any rental whatsoever;
- That we further agree to vacate the aforesaid land within three (3) months from the date hereof and to remove and transfer our house therefrom to another place;
- That in consideration of vacating the said parcel of land the amount of Twenty Thousand Pesos (P20,000.00) shall be paid to us; and, that the amount of Ten Thousand Pesos (P10,000.00) shall be paid upon signing of this affidavit and the balance of Ten Thousand Pesos (P10,000.00) shall be paid upon removal of our house on the third month from date hereof.

(4) despite the receipt of the P10,000.00 upon the execution of the Affidavit, respondent-spouses refused to vacate the land as agreed upon; and (5) despite demands, respondent-spouses still refused to vacate, thus constraining him to file the complaint. Aside from respondents' vacating the land, petitioner prayed for the return of the P10,000.00 he paid them; and the payment of P10,000.00 actual damages, P10,000.00 exemplary damages, P20,000.00 attorney's fees, and the costs.

In their Answer,[6] respondent-spouses alleged that Zareno had no personality and authority to file the case and the filing of the complaint was made in bad faith.

During the preliminary conference, the following admissions were made -

By petitioner

(1)

That the defendants (respondent spouses) had been in possession of the land in question since 1930; and

(2)

That the semi-concrete house of the defendants (respondent spouses) stands on the land in question.

By respondent spouses

(1)

That the defendant (respondent) Felix Paragas had executed an affidavit on April 8, 1992 wherein he admitted that he is occupying the land by tolerance of the plaintiff (petitioner) without paying any rental whatsoever and had agreed to vacate the premises within three (3) months but refused to vacate later;

(2)

That the plaintiff (petitioner) is the registered owner of the land in question;

(3)

That there was a demand to vacate the premises; and

(4)

That there is a Certification to File Action in Court.[7]

On August 31, 1993, the MTCC, Branch 1, Dagupan City decided in favor of petitioner, based mainly on the above admissions, rendering judgment as follows:

WHEREFORE, the preponderance of evidence being in favor of the plaintiff (petitioner), judgment is hereby rendered:

1) Ordering the defendants (respondent spouses) to vacate the land in question located at Caranglaan District, Dagupan City and covered by Transfer Certificate of Title No. 59036 of the Registry of Deeds for the City of Dagupan, and to deliver the physical and peaceful possession to the plaintiff (petitioner);

2) Ordering the defendants (respondent spouses) jointly and severally to pay the plaintiff (petitioner) the sum of P300.00 as monthly rental of the land from the date of the filing of the complaint until the defendants (respondent spouses) vacate the premises;

3) Ordering defendant (respondent) Felix Paragas to return or indemnify the plaintiff (petitioner) the amount of P10,000.00 representing the sum received by him from the plaintiff (petitioner) on April 8, 1992;

4) Other claims are denied for lack of merit.

With costs against the defendants.

SO ORDERED.[8]

Respondent-spouses appealed the said Decision to the Regional Trial Court (RTC) of Dagupan City. In the Decision[9] dated August 16, 1996, the RTC affirmed the MTCC Decision, the dispositive portion of which reads

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WHEREFORE, the appeal interposed by the appellants is hereby DISMISSED. Judgment is rendered in favor of the plaintiff (petitioner) and against the defendants (respondent spouses), to wit:

- ORDERING defendants (respondent spouses), their agents, representatives and assigns to vacate the land subject matter of this case;
- ORDERING defendants (respondent spouses) to return to the plaintiff (petitioner) the amount of P10,000.00 received by them in consideration of their promise to vacate the land subject matter of this case;
- ORDERING defendants (respondent spouses) to pay to the plaintiff (petitioner) P10,000.00 in actual damages; P10,000.00 in exemplary damages; and P20,000.00 in attorney's fees; and
- ORDERING defendants to pay the costs.

SO ORDERED.[10]

Respondent-spouses went to the Court of Appeals via a petition for review. In its Decision[11] dated October 13, 1997, the appellate court dismissed the petition. The Decision was appealed to this Court. We denied the appeal in a Resolution dated December 3, 1997, on the basis of the failure of respondent-spouses to show any reversible error in the decisions of the three courts below. Our Resolution became final and executory on January 29, 1998 and was entered in the Book of Entries of Judgments.[12]

Meanwhile, on October 11, 1993, during the pendency of the appeal with the RTC, respondent-spouses filed against petitioner, as represented by his attorney-in-fact Zosimo S. Zareno, the heirs of Blas F. Rayos, the spouses Delfin and Gloria Alog, and Hon. Judge George M. Mejia, as Presiding Judge of the Metropolitan Trial Court, Branch 1 of Dagupan City, also before the RTC of Dagupan City, a complaint[13] for declaration of nullity of deed of sale, transactions, documents and titles with a prayer for preliminary injunction and damages. The complaint was docketed as Civil Case No. D-10772 and was raffled to Branch 42.

The complaint alleged, inter alia, that respondent Maxima is a co-owner of a parcel of land originally covered by TCT No. 7316 of the Registry of Deeds of Dagupan City, her $\frac{1}{4}$ share having an area of 435.75 square meters. Sometime prior to April 13, 1955, respondent Felix, then an employee of the defunct Dagupan Colleges (now University of Pangasinan) failed to account for the amount of P3,000.00. It was agreed that respondent Felix would pay the said amount by installment to the Dagupan Colleges. Pursuant to that agreement, Blas F. Rayos and Amado Ll. Ayson, then both occupying high positions in the said institution, required respondent-spouses to sign, without explaining to them, a Deed of Absolute Sale on April 13, 1955 over respondent Maxima's real property under threat that respondent Felix would be incarcerated for misappropriation if they refused to do so.

The complaint further alleged that later, respondent-spouses, true to their promise to reimburse the defalcated amount, took pains to pay their obligation in installments regularly deducted from the salaries received by respondent Felix from Dagupan Colleges; that the payments totaled P5,791.69; that notwithstanding the full payment of the obligation, Amado Ll. Ayson and Blas F. Rayos did nothing to cancel the purported Deed of Absolute Sale; and that they were shocked when they received a copy of the complaint for ejectment filed by petitioner.

During the pre-trial, the following was established -

[T]he land in question was a portion of a larger lot covered by TCT No. 41021 with an area of 1,743 square meters in the name of Buenaventura Mariñas, father of the plaintiff (respondent) Maxima Mariñas-Paragas. Transfer Certificate of Title No. 41021 was later on cancelled and replaced by TCT No. 7316 in the names of Maxima Mariñas, Rufino Mariñas, Rizalina Mariñas and Buenaventura Mariñas, specifying that each would receive one-fourth ($\frac{1}{4}$) thereof. The portion pertaining to Maxima Mariñas-Paragas was later on allegedly conveyed to Blas F. Rayos and Amado Ll. Ayson by virtue of a Deed of Sale allegedly executed on April 13, 1955 by Maxima Mariñas-Paragas with the conformity of her husband Felix Paragas, after which TCT 7354 was issued canceling TCT No. 7316. Under TCT No. 7354, the new owners were Blas F. Rayos and Amado

Ll. Ayson, Rufino Mariñas, Rizalina Mariñas and Angela Mariñas. The land was subdivided later on into four (4) lots, distributed as follows: Lot A went to Blas F. Rayos and Amado Ll. Ayson, Lot B to Rufino Mariñas, Lot C to Rizalina Mariñas, and Lot D to Angela Mariñas. Each lot has an area of 435.75 square meters. For Lot A, TCT No. 22697 was issued in the name of both Blas F. Rayos and Amado Ll. Ayson.

On November 15, 1991, Lot A was the subject of a subdivision between Amado Ll. Ayson and Blas F. Rayos. Said subdivision was approved on December 10, 1991, dividing the property into equal halves, each half with an area of 217.88 square meters. Thereafter, the one-half (1/2) pertaining to Blas F. Rayos was sold by his successors-in-interest to spouses Delfin and Gloria Alog by virtue of an Extra-Judicial Settlement With Sale dated January 10, 1992, to which the said spouses were issued TCT 57683 on January 14, 1992. On the same day, Amado Ll. Ayson for his portion of the property was also issued TCT 57684. Amado Ll. Ayson later passed on ownership of his share to Amado Z. Ayson and issued to the latter was TCT 59036 after the latter executed an Affidavit of Self Adjudication dated August 3, 1992 upon the death of Amado Ll. Ayson.[14]

After trial on the merits, the RTC, Branch 42, Dagupan City rendered its Decision[15] dated March 6, 1998 in favor of respondent-spouses declaring the Deed of Absolute Sale as an equitable mortgage, the decretal portion of which reads -

WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against the defendants, except the spouses Delfin and Gloria Alog:

- Annuling the Deed of Sale executed by Felix Paragas and Maxima Paragas on April 13, 1955 (Exh. 3) in favor of defendants Blas F. Rayos and Amado Ll. Ayson except as it affects the interest of Spouses Delfin and Gloria Alog over the property in question;
- Annuling likewise TCT No. 57684 issued to Amado Ll. Ayson and TCT No. 59036 issued to Amado Z. Ayson, including the respective tax declarations thereof;
- Ordering Amado Z. Ayson to reconvey ownership of the property covered by TCT No. 59036 to the herein plaintiffs, the true owners thereof;
- Ordering defendant Amado Z. Ayson and the estate of Blas F. Rayos to pay jointly and severally to the herein plaintiffs the amount paid by Spouses Delfin and Gloria Alog to the late Blas F. Rayos, there being no proof adduced by the plaintiffs as to the actual current market value of the said property;
- Ordering the said defendants Amado Z. Ayson and the estate of Blas F. Rayos to pay jointly and severally to the plaintiffs other amounts of P50,000.00 as moral damages and P10,000.00 as attorney's fees, including appearance fee;
- Further ordering the aforementioned defendants, except defendant-spouses Delfin and Gloria Alog, to pay costs.

SO ORDERED.[16]

Petitioner appealed the said Decision to the Court of Appeals, which affirmed the same in its Decision dated May 31, 2000. The motion for reconsideration filed by petitioner was likewise denied by the Court of Appeals in its Resolution dated December 12, 2000. Hence, this petition raising the sole issue that -

The Honorable Court of Appeals has acted in excess of or with grave abuse of discretion amounting to lack of jurisdiction in dismissing the appeal of the herein petitioner Amado Z. Ayson, Jr. and in affirming the decision of the Regional Trial Court, Branch 42, Dagupan City in Civil Case No. D-10772, in violation of the laws on sale, equitable mortgage, prescription, laches and estoppel as well as the laws on property registration.[17]

Petitioner contends that respondent-spouses are bound by the judicial admissions they made both in the ejectment

case and in the case for declaration of nullity of the Deed of Absolute Sale.

With respect to the ejectment case, he posits that respondent-spouses cannot renege on the effects of their admissions that petitioner is the registered owner of the disputed property; that they were occupying the same by mere tolerance of the latter without rent; and that they undertook to vacate the premises in accordance with the Affidavit dated April 8, 1992, especially when the findings of the MTCC had already become final upon the Entry of Judgment of our Resolution affirming the MTCC, the RTC, and the Court of Appeals.

As regards the action for declaration of nullity of the deed of absolute sale, petitioner claims that respondent-spouses are likewise bound by their admission during the pre-trial that the series of certificates of title from the time the Deed of Absolute Sale was registered with the Register of Deeds of Dagupan City eventually led to the issuance of TCT No. 59036 in his name.

Petitioner further argues that the action instituted before the RTC, Branch 42, Dagupan City has already prescribed. According to him, the complaint alleged that the Deed of Absolute Sale was executed through fraud, making the said contract merely voidable, and the action to annul voidable contracts based on fraud prescribed in four (4) years from the discovery of fraud. He insists that the registration of the Deed of Absolute Sale occurred on May 4, 1955, which operated as constructive notice of the fraud to the whole world, including respondent-spouses. Thus, petitioner concludes that the action had long prescribed when they filed the same on October 11, 1993, since its cause had accrued 38 years ago.

Petitioner adds that respondent-spouses are bound by estoppel and guilty of laches in light of the judicial admissions they have already made and the unreasonable length of time that had lapsed before they questioned the validity of the Deed of Absolute Sale and the Affidavit they executed on April 8, 1992.

He also asseverates that the Deed of Absolute Sale is a true sale and not an equitable mortgage, arguing that the alleged payments made by respondent Felix were made from December 29, 1965 to December 17, 1980, long after the execution of the contract on April 13, 1955; that respondent-spouses only paid realty taxes over their house and not on the disputed land; that their possession of the property was by his mere tolerance; that there was no evidence proffered that the amount of P3,000.00 as consideration for the sale was unusually inadequate in 1955; and that the other co-owners of the land did not question or protest the subdivision thereof leading to the issuance of TCT No. 59036 in his name.

Lastly, petitioner claims that he is a transferee in good faith, having had no notice of the infirmity affecting the title of his predecessor Amado Ll. Ayson over the property. He says that he was only exercising his right as an heir when he adjudicated unto himself the parcel of land pertaining to his adoptive father,[18] resulting in the issuance of TCT No. 59036 in his name, and, thus, should not be penalized for his exercise of a legal right.

The arguments do not persuade.

First. With respect to the admissions made by respondent-spouses, through their counsel during the preliminary conference of the ejectment case, it is worthy to note that, as early as the submission of position papers before the MTCC, they already questioned the sale of the subject property to Amado Ll. Ayson and Blas F. Rayos for being fictitious and asserted their ownership over the land, pointing to the fact that respondent Maxima had been living on the land since her birth in 1913 and that they had been in continuous possession thereof since her marriage to respondent Felix in 1944. However, unfortunately for them, the MTCC held them bound by the admissions made by their counsel and decided that petitioner had a better right to possess the property.

Nevertheless, it must be remembered that in ejectment suits the issue to be resolved is merely the physical possession over the property, i.e., possession de facto and not possession de jure, independent of any claim of

ownership set forth by the party-litigants.[19] Should the defendant in an ejectment case raise the defense of ownership in his pleadings and the question of possession cannot be resolved without deciding the issue of ownership, the issue of ownership shall be resolved only to determine the issue of possession.[20] The judgment rendered in such an action shall be conclusive only with respect to physical possession and shall in no wise bind the title to the realty or constitute a binding and conclusive adjudication of the merits on the issue of ownership. Therefore, such judgment shall not bar an action between the same parties respecting the title or ownership over the property,[21] which action was precisely resorted to by respondent-spouses in this case.

Anent the claim that respondent-spouses admitted the series of TCTs issued by reason of the registration of the questioned Deed of Absolute Sale, suffice it to state that records show that they admitted only the existence thereof, not necessarily the validity of their issuance.

Second. The Deed of Absolute Sale is, in reality, an equitable mortgage or a contract of loan secured by a mortgage. The Civil Code enumerates the cases in which a contract, purporting to be a sale, is considered only as a contract of loan secured by a mortgage, viz.:

Art. 1602. The contract shall be presumed to be an equitable mortgage, in any of the following cases:

(1)

When the price of the sale with right to repurchase is unusually inadequate;

(2)

When the vendor remains in possession as lessee or otherwise

(3)

When upon or after the expiration of the right to repurchase another instrument extending the period of redemption or granting a new period is executed;

(4)

When the purchaser retains for himself a part of the purchase price;

(5)

When the vendor binds himself to pay the taxes on the thing sold;

(6)

In any other case where it may be fairly inferred that the real intention of the parties is that the transaction shall secure the payment of a debt or the performance of any other obligation.

In any of the foregoing cases, any money, fruits, or other benefit to be received by the vendee as rent or otherwise shall be considered as interest which shall be subject to the usury laws.[22]

Art. 1604. The provisions of article 1602 shall also apply to a contract purporting to be an absolute sale.

In such cases, parol evidence then becomes competent and admissible to prove that the instrument was in truth and in fact given merely as a security for the repayment of a loan; and upon adequate proof of the truth of such allegations, the courts will enforce the agreement or understanding in this regard, in accord with the true intent of the parties at the time the contract was executed, even if the conveyance was accompanied by registration in the name of the transferee and the issuance of a new certificate of title in his name.[23]

In this case, the evidence before the RTC, Branch 42, Dagupan City had established that the possession of the

subject property remained with respondent-spouses despite the execution of the Deed of Absolute Sale on April 13, 1955. In fact, testimonies during the trial showed that petitioner and his predecessors never disturbed the possession of respondent-spouses until the filing of the ejectment case on April 12, 1992.[24]

Moreover, the evidence presented by respondent-spouses indubitably reveals that they signed the contract under threat of prosecution, with the view to secure the payment of the P3,000.00 defalcated by respondent Felix. Amado Ll. Ayson and Blas F. Rayos obviously exerted undue influence on Felix taking advantage of the latter's lack of education and understanding of the legal effects of his signing the deed.

Respondent-spouses have clearly proven that they have already paid the aforesaid amount. That the obligation was paid in installments through salary deduction over a period of 10 years from the signing of the Deed of Absolute Sale is of no moment. It is safe to assume that this repayment scheme was in the nature of an easy payment plan based on the respondent-spouses' capacity to pay. Also noteworthy is that the deductions from respondent Felix's salary amounted to a total of P5,791.69,[25] or almost double the obligation of P3,000.00. Furthermore, it cannot be denied that petitioner failed to adduce countervailing proof that the payments, as evidenced by the volume of receipts, were for some other obligation.

That the realty taxes paid by respondent-spouses was only for their house can be explained by the fact that, until the filing of the ejectment case, respondent Maxima was not aware that the land she co-owned was already partitioned, such that the payments of real estate taxes in her name were limited to the improvement on the land.

An equitable mortgage is a voidable contract. As such, it may be annulled within four (4) years from the time the cause of action accrues. This case, however, not only involves a contract resulting from fraud, but covers a transaction ridden with threat, intimidation, and continuing undue influence which started when petitioner's adoptive father Amado Ll. Ayson and Blas F. Rayos, Felix's superiors at Dagupan Colleges, practically bullied respondent-spouses into signing the Deed of Absolute Sale under threat of incarceration. Thus, the four-year period should start from the time the defect in the consent ceases.[26] While at first glance, it would seem that the defect in the consent of respondent-spouses ceased either from the payment of the obligation through salary deduction or from the death of Amado Ll. Ayson and Blas F. Rayos, it is apparent that such defect of consent never ceased up to the time of the signing of the Affidavit on April 8, 1992 when Zareno, acting on behalf of petitioner, caused respondent Felix to be brought to him, and taking advantage of the latter being unlettered, unduly influenced Felix into executing the said Affidavit for a fee of P10,000.00.[27] The complaint praying for the nullity of the Deed of Absolute Sale was filed on October 11, 1993, well within the four-year prescriptive period.

Regarding the finality of the adjudication of physical possession in favor of petitioner, it may be reiterated that the right of possession is a necessary incident of ownership. This adjudication of ownership of the property to respondent-spouses must include the delivery of possession to them since petitioner has not shown a superior right to retain possession of the land independently of his claim of ownership which is herein rejected. Verily, to grant execution of the judgment in the ejectment case would work an injustice on respondent-spouses who had been conclusively declared the owners and thus, rightful possessors of the disputed land.[28]

WHEREFORE, the petition is DENIED and the Decision of the Court of Appeals in CA-G.R. CV No. 59645 dated May 31, 2000 is AFFIRMED.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Chico-Nazario, and Reyes, JJ., concur.

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- [1] Rollo, pp. 43-51.
- [2] Id. at 54.
- [3] Id. at 68-72.
- [4] TSN, October 8, 1997, p. 11 (Charito Ayson).
- [5] Rollo, p. 107.
- [6] Id. at 73-76.
- [7] Id. at 78-79.
- [8] Id. at 83.
- [9] Id. at 109-113.
- [10] Id. at 113.
- [11] Id. at 115-124.
- [12] Entry of Judgment; id. at 125.
- [13] Rollo, pp. 92-99.
- [14] Id. at 57-58.
- [15] Id. at 56-67.
- [16] Id. at 66-67.
- [17] Id. at 23.
- [18] TSN, October 8, 1997, p. 9.
- [19] *Spouses Malison v. Court of Appeals*, G.R. No. 147776, July 10, 2007, 527 SCRA 109, 122.
- [20] RULES OF COURT, Rule 70, Sec. 16.
- [21] RULES OF COURT, Rule 70, Sec. 18; *Pajuyo v. Court of Appeals*, G.R. No. 146364, June 3, 2004, 430 SCRA 492, 509.
- [22] Emphasis supplied.
- [23] Tolentino, A.M., *Commentaries and Jurisprudence on the Civil Code of the Philippines*, Vol. V (1992), citing *Macapinlac v. Gutierrez Repide*, 43 Phil. 770 (1922).
- [24] TSN, May 15, 1995, p. 11 (Maxima Paragas); TSN, December 20, 1996, p. 6 (Rosario Paragas); TSN, March 11, 1997, p. 11 (Lydia Salazar); TSN, October 8, 1997, p. 10 (Charito Ayson).
- [25] Exhibits "A" to "A-173."
- [26] CIVIL CODE, Art. 1391.
- [27] TSN, December 19, 1997, pp. 3-4 (Rosario Paragas).
- [28] *Roman Catholic Archbishop of Caceres v. Heirs of Manuel Abella*, G.R. No. 143510, November 23, 2005,

476 SCRA 1, 11; Toledo-Banaga v. Court of Appeals, 361 Phil. 1006, 1020 (1999).

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