

VICTORIA MOREÑO-LENTFER, GUNTER LEHTFER AND JOHN CRAIGIE YOUNG CROSS, PETITIONERS, VS. HANS JURGEN WOLFF, RESPONDENT.

G.R. No. 152317. November 10, 2004

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

For review on certiorari are the Decision[1] dated June 14, 2001, and Resolution[2] dated February 22, 2002, of the Court of Appeals in CA-G.R. CV No. 48272. The decision reversed the judgment[3] of the Regional Trial Court of Calapan City, Oriental Mindoro, Branch 39, in Civil Case No. R-4219.

The facts are as follows:

The petitioners are Gunter Lentfer, a German citizen; his Filipina wife, Victoria Moreño-Lentfer; and John Craigie Young Cross, an Australian citizen, all residing in Sabang, Puerto Galera, Oriental Mindoro. Respondent Hans Jurgen Wolff is a German citizen, residing in San Lorenzo Village, Makati City.

Petitioners alleged that with respondent, on March 6, 1992, they engaged the notarial services of Atty. Rodrigo C. Dimayacyac for: (1) the sale of a beach house owned by petitioner Cross in Sabang, Puerto Galera, Oriental Mindoro, and (2) the assignment of Cross' contract of lease on the land where the house stood. The sale of the beach house and the assignment of the lease right would be in the name of petitioner Victoria Moreño-Lentfer, but the total consideration of 220,000 Deutschmarks (DM) would be paid by respondent Hans Jurgen Wolff. A promissory note was executed by said respondent in favor of petitioner Cross.

According to respondent, however, the Lentfer spouses were his confidants who held in trust for him, a time deposit account in the amount of DM 200,000[4] at Solid Bank Corporation. Apprised of his interest to own a house along a beach, the Lentfer couple urged him to buy petitioner Cross' beach house and lease rights in Puerto Galera. Respondent agreed and through a bank-to-bank transaction, he paid Cross the amount of DM 221,700[5] as total consideration for the sale and assignment of the lease rights. However, Cross, Moreño-Lentfer and Atty. Dimayacyac surreptitiously executed a deed of sale whereby the beach house was made to appear as sold to Moreño-Lentfer for only P100,000.[6] The assignment of the lease right was likewise made in favor of Moreño-Lentfer.[7] Upon learning of this, respondent filed a Complaint docketed as Civil Case No. R-4219 with the lower court for annulment of sale and reconveyance of property with damages and prayer for a writ of attachment.

After trial, the court a quo dismissed the complaint for failure to establish a cause of action, thus:

ACCORDINGLY, judgment is hereby rendered in favor of the defendants and against the plaintiff, dismissing the complaint for the reason that plaintiff has not established a cause of action against the defendants with costs against the plaintiff.

SO ORDERED.[8]

Aggrieved, respondent appealed to the Court of Appeals.[9]

But in its Decision[10] dated June 14, 2001, the appellate court reversed the decision of the trial court, thus:

WHEREFORE, the judgment appealed from is hereby REVERSED and a new one is hereby rendered, as follows:

- Defendants-appellees spouses Genter[11]and Victoria Moreno-Lentfer and John Craigie Young Cross are jointly and severally held liable to pay plaintiff-appellant the amount of 220,000.00 DM German Currency or its present peso equivalent plus legal interest starting from March 8, 1993, the date of the last final demand letter;

- The above defendants-appellees are jointly and severally held liable to pay plaintiff-appellant the amount of P200,000.00 Philippine Currency, representing the amount of expenses incurred in the repairs and maintenance of the property plus legal interest starting from October 28, 1992, the date the amount was received by defendant-appellee Victoria Moreno-Lentfer; and

- The case against defendant-appellee Rodrigo Dimayacyac is dismissed.

SO ORDERED.[12]

Hence, the instant petition raising the following issues:

1)

DOES ARTICLE 1238 OF THE NEW CIVIL CODE APPLY IN THE CASE AT BAR?[13]

2)

DOES THE PRINCIPLE OF SOLUTIO INDEBITI UNDER ARTICLE 2154 OF THE NEW CIVIL CODE, THE PRINCIPLE OF JUSTICE AND EQUITY, APPLY IN THE CASE AT BAR?[14]

Article 1238 of the New Civil Code provides:

ART. 1238. Payment made by a third person who does not intend to be reimbursed by the debtor is deemed to be a donation, which requires the debtor's consent. But the payment is in any case valid as to the creditor who has accepted it.

Petitioners posit that in a contract of sale, the seller is the creditor, who in this case is Cross, and the buyer is the debtor, namely Moreño-Lentfer in this case. Respondent is the third person who paid the consideration on behalf of Moreño-Lentfer, the debtor. Petitioners insist that respondent did not intend to be reimbursed for said payment and debtor Moreño-Lentfer consented to it. Thus, by virtue of Article 1238, payment by respondent is considered a donation.

Respondent counters that Article 1238 bears no relevance to the case since it applies only to contracts of loan where payment is made by a third person to a creditor in favor of a debtor of a previously incurred obligation. The instant case, in contrast, involves a contract of sale where no real creditor-debtor relationship exists between the parties. Further, respondent argues his conduct never at any time intimated any intention to donate in favor of petitioner Moreño-Lentfer.

Moreover, respondent contends that the alleged donation is void for non-compliance with the formal requirements set by law. Citing Article 748[15] of the New Civil Code, respondent avers that since the amount involved exceeds P5,000, both the donation and its acceptance must be in writing for the donation to be valid. Respondent further says there was no simultaneous delivery of the money as required by Art. 748 for instances of oral donation. Respondent also calls our attention to the sudden change in petitioners' theory. Previously, before the

Court of Appeals, the petitioners claimed that what was donated were the subject properties. But before this Court, they insist that what was actually donated was the money used in the purchase of subject properties.

On this point, we find petitioners' stance without merit. Article 1238 of the New Civil Code is not applicable in this case.

Trying to apply Art. 1238 to the instant case is like forcing a square peg into a round hole. The absence of intention to be reimbursed, the qualifying circumstance in Art. 1238, is negated by the facts of this case. Respondent's acts contradict any intention to donate the properties to petitioner Moreño-Lentfer. When respondent learned that the sale of the beach house and assignment of the lease right were in favor of Victoria Moreño-Lentfer, he immediately filed a complaint for annulment of the sale and reconveyance of the property with damages and prayer for a writ of attachment. Respondent Moreño-Lentfer at that time claimed the beach house, together with the lease right, was donated to her. Noteworthy, she had changed her theory, to say that it was only the money used in the purchase that was donated to her. But in any event, respondent actually stayed in the beach house in the concept of an owner and shouldered the expenses for its maintenance and repair amounting to P200,000 for the entire period of his stay for ten weeks. Moreover, the appellate court found that respondent is not related or even close to the Lentfer spouses. Obviously, respondent had trusted the Lentfer spouses to keep a time deposit account for him with Solid Bank for the purpose of making the purchase of the cited properties.

Petitioner Moreño-Lentfer's claim of either cash or property donation rings hollow. A donation is a simple act of liberality where a person gives freely of a thing or right in favor of another, who accepts it.[16] But when a large amount of money is involved, equivalent to P3,297,800, based on the exchange rate in the year 1992, we are constrained to take the petitioners' claim of liberality of the donor with more than a grain of salt.

Petitioners could not brush aside the fact that a donation must comply with the mandatory formal requirements set forth by law for its validity. Since the subject of donation is the purchase money, Art. 748 of the New Civil Code is applicable. Accordingly, the donation of money equivalent to P3,297,800 as well as its acceptance should have been in writing. It was not. Hence, the donation is invalid for non-compliance with the formal requisites prescribed by law.

Anent the second issue, petitioners insist that since the deed of sale in favor of Moreño-Lentfer was neither identified or marked nor formally offered in evidence, the same cannot be given any evidentiary value. They add that since it was not annulled, it remains valid and binding. Hence, petitioners argue, the principle of *solutio indebiti* under Article 2154[17] of the New Civil Code should be the applicable provision in the resolution of this controversy. If so, the parties unjustly enriched would be liable to the other party who suffered thereby by being correspondingly injured or damaged.

The quasi-contract of *solutio indebiti* harks back to the ancient principle that no one shall enrich himself unjustly at the expense of another.[18] It applies where (1) a payment is made when there exists no binding relation between the payor, who has no duty to pay, and the person who received the payment, and (2) the payment is made through mistake, and not through liberality or some other cause.[19]

In the instant case, records show that a bank-to-bank payment was made by respondent Wolff to petitioner Cross in favor of co-petitioner Moreño-Lentfer. Respondent was under no duty to make such payment for the benefit of Moreño-Lentfer. There was no binding relation between respondent and the beneficiary, Moreño-Lentfer. The payment was clearly a mistake. Since Moreño-Lentfer received something when there was no right to demand it, she had an obligation to return it.[20]

Following Article 22[21] of the New Civil Code, two conditions must concur to declare that a person has unjustly

enriched himself or herself, namely: (a) a person is unjustly benefited, and (b) such benefit is derived at the expense of or to the damage of another.[22]

We are convinced petitioner Moreño-Lentfer had been unjustly enriched at the expense of respondent. She acquired the properties through deceit, fraud and abuse of confidence. The principle of justice and equity does not work in her favor but in favor of respondent Wolff. Whatever she may have received by mistake from and at the expense of respondent should thus be returned to the latter, if the demands of justice are to be served.

The Court of Appeals held that respondent was not entitled to the reconveyance of the properties because, inter alia, of the express prohibition under the Constitution[23] that non-Filipino citizens cannot acquire land in the Philippines. We note, however, that subject properties consist of a beach house and the lease right over the land where the beach house stands. The constitutional prohibition against aliens from owning land in the Philippines has no actual bearing in this case. A clear distinction exists between the ownership of a piece of land and the mere lease of the land where the foreigner's house stands. Thus, we see no legal reason why reconveyance could not be allowed.

Since reconveyance is the proper remedy, respondent's expenses for the maintenance and repair of the beach house is for his own account as owner thereof. It need not be an issue for now.

However, we deem it just and equitable under the circumstances to award respondent nominal damages in the amount of P50,000,[24] pursuant to Articles 2221[25] and 2222[26] of the New Civil Code, since respondent's property right has been invaded through defraudation and abuse of confidence committed by petitioners.

WHEREFORE, the petition is hereby DENIED. The assailed Decision, dated June 14, 2001 and Resolution dated February 22, 2002, of the Court of Appeals in CA-G.R. CV No. 48272 reversing the lower court's judgment are AFFIRMED with MODIFICATION. Petitioners--particularly the spouses Gunter Lentfer and Victoria Moreño-Lentfer--are hereby ORDERED to:

- RECONVEY to respondent Hans Jurgén Wolff the beach house and the lease right over the land on which it is situated; and
- PAY respondent Wolff nominal damages in the amount of P50,000.00.

Costs against petitioners.

SO ORDERED.

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

* Also Moreno-Lentfer in the Records.

[1] Rollo, pp. 21-28. Penned by Associate Justice Juan Q. Enriquez, Jr., with Associate Justices Presbitero J. Velasco, Jr., and Bienvenido L. Reyes concurring.

[2] Id. at 29-30.

[3] Id. at 31-37.

[4] Id. at 108-109.

[5] Id. at 114-115.

[6] Id. at 113.

[7] Id. at 110.

[8] Id. at 37.

[9] See Id. at 22-23, for assigned errors.

[10] Id. at 21-28.

[11] “Gunter” in the Records.

[12] Rollo, p. 27.

[13] Id. at 12.

[14] Id. at 15.

[15] ART. 748. The donation of a movable may be made orally or in writing.

An oral donation requires the simultaneous delivery of the thing or of the document representing the right donated.

If the value of the personal property donated exceeds five thousand pesos, the donation and the acceptance shall be made in writing. Otherwise, the donation shall be void.

[16] Civil Code, Article 725.

[17] ART. 2154. If something is received when there is no right to demand it, and it was unduly delivered through mistake, the obligation to return it arises.

[18] Power Commercial and Industrial Corp. v. Court of Appeals, G.R. No. 119745, 20 June 1997, 274 SCRA 597, 613.

[19] National Commercial Bank of Saudi Arabia v. Court of Appeals, G.R. No. 124267, 31 January 2003, 396 SCRA 541, 547.

[20] See Citibank, N.A. v. Court of Appeals, G.R. No. 107434, 10 October 1997, 280 SCRA 459, 475.

[21] ART. 22. Every person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to him.

[22] MC Engineering, Inc. v. Court of Appeals, G.R. No. 104047, 3 April 2002, 380 SCRA 116, 138.

[23] Sec. 7 in relation to Sec. 3 of Article XII.

Sec. 7. Save in cases of hereditary succession, no private lands shall be transferred or conveyed except to individuals, corporations, or associations qualified to acquire or hold lands of the public domain.

Sec. 3. Lands of the public domain are classified into agricultural, forest or timber, mineral lands, and national parks. Agricultural lands of the public domain may be further classified by law according to the uses to which they may be devoted. Alienable lands of the public domain shall be limited to agricultural lands. Private corporations or associations may not hold such alienable lands of the public domain except by lease, for a period not exceeding twenty-five years, renewable for not more than twenty-five years, and not to exceed one thousand hectares in area. Citizens of the Philippines may lease not more than five hundred hectares, or acquire not more than twelve hectares thereof by purchase, homestead or grant.

Taking into account the requirements of conservation, ecology, and development, and subject to the requirements of agrarian reform, the Congress shall determine, by law, the size of lands of the public domain which may be acquired, developed, held, or leased and the conditions therefor.

[24] See *Almeda v. Cariño*, G.R. No. 152143, 13 January 2003, 395 SCRA 144.

[25] ART. 2221. Nominal damages are adjudicated in order that a right of the plaintiff, which has been violated or invaded by the defendant, may be vindicated or recognized, and not for the purpose of indemnifying the plaintiff for any loss suffered by him.

[26] ART. 2222. The court may award nominal damages in every obligation arising from any source enumerated in Article 1157, or in every case where any property right has been invaded.

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