CORAZON CATALAN, LIBRADA CATALAN-LIM, EULOGIO CATALAN, MILA CATALAN-MILAN, ZENAIDA CATALAN, ALEX CATALAN, DAISY CATALAN, FLORIDA VS. JOSE BASA, MANUEL BASA, LAURETA BASA, DELIA ...

G.R. NO. 159567. July 31, 2007

Ponente: PUNO, C.J.

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PUNO, C.J.:

This is a petition for review on certiorari under Rule 45 of the Revised Rules of Court of the Court of Appeals decision in CA-G.R. CV No. 66073, which affirmed the judgment of the Regional Trial Court, Branch 69, Lingayen, Pangasinan, in Civil Case No. 17666, dismissing the Complaint for Declaration of Nullity of Documents, Recovery of Possession and Ownership, and damages.

The facts, which are undisputed by the parties, follow:

On October 20, 1948, FELICIANO CATALAN (Feliciano) was discharged from active military service. The Board of Medical Officers of the Department of Veteran Affairs found that he was unfit to render military service due to his "schizophrenic reaction, catatonic type, which incapacitates him because of flattening of mood and affect, preoccupation with worries, withdrawal, and sparce (sic) and pointless speech."[1]

On September 28, 1949, Feliciano married Corazon Cerezo.[2]

On June 16, 1951, a document was executed, titled "Absolute Deed of Donation,"[3] wherein Feliciano allegedly donated to his sister MERCEDES CATALAN(Mercedes) one-half of the real property described, viz:

> A parcel of land located at Barangay Basing, Binmaley, Pangasinan. Bounded on the North by heirs of Felipe Basa; on the South by Barrio Road; On the East by heirs of Segundo Catalan; and on the West by Roman Basa. Containing an area of Eight Hundred One (801) square meters, more or less.

The donation was registered with the Register of Deeds. The Bureau of Internal Revenue then cancelled Tax Declaration No. 2876, and, in lieu thereof, issued Tax Declaration No. 18080[4] to Mercedes for the 400.50 square meters donated to her. The remaining half of the property remained in Feliciano's name under Tax Declaration No. 18081.[5]

On December 11, 1953, People's Bank and Trust Company filed Special Proceedings No. 4563[6] before the Court of First Instance of Pangasinan to declare Feliciano incompetent. On December 22, 1953, the trial court issued its Order for Adjudication of Incompetency for Appointing Guardian for the Estate and Fixing Allowance[7] of Feliciano. The following day, the trial court appointed People's Bank and Trust Company as Feliciano's guardian.[8] People's Bank and Trust Company has been subsequently renamed, and is presently known as the Bank of the Philippine Islands (BPI).

On November 22, 1978, Feliciano and Corazon Cerezo donated Lots 1 and 3 of their property, registered under

Original Certificate of Title (OCT) No. 18920, to their son Eulogio Catalan.[9]

On March 26, 1979, Mercedes sold the property in issue in favor of her children Delia and Jesus Basa.[10] The Deed of Absolute Sale was registered with the Register of Deeds of Pangasinan on February 20, 1992, and Tax Declaration No. 12911 was issued in the name of respondents.[11]

On June 24, 1983, Feliciano and Corazon Cerezo donated Lot 2 of the aforementioned property registered under OCT No. 18920 to their children Alex Catalan, Librada Catalan and Zenaida Catalan. On February 14, 1983, Feliciano and Corazon Cerezo donated Lot 4 (Plan Psu-215956) of the same OCT No. 18920 to Eulogio and Florida Catalan.[12]

On April 1, 1997, BPI, acting as Feliciano's guardian, filed a case for Declaration of Nullity of Documents, Recovery of Possession and Ownership,[13] as well as damages against the herein respondents. BPI alleged that the Deed of Absolute Donation to Mercedes was void ab initio, as Feliciano never donated the property to Mercedes. In addition, BPI averred that even if Feliciano had truly intended to give the property to her, the donation would still be void, as he was not of sound mind and was therefore incapable of giving valid consent. Thus, it claimed that if the Deed of Absolute Donation was void ab initio, the subsequent Deed of Absolute Sale to Delia and Jesus Basa should likewise be nullified, for Mercedes Catalan had no right to sell the property to anyone. BPI raised doubts about the authenticity of the deed of sale, saying that its registration long after the death of Mercedes Catalan indicated fraud. Thus, BPI sought remuneration for incurred damages and litigation expenses.

On August 14, 1997, Feliciano passed away. The original complaint was amended to substitute his heirs in lieu of BPI as complainants in Civil Case No. 17666.

On December 7, 1999, the trial court found that the evidence presented by the complainants was insufficient to overcome the presumption that Feliciano was sane and competent at the time he executed the deed of donation in favor of Mercedes Catalan. Thus, the court declared, the presumption of sanity or competency not having been duly impugned, the presumption of due execution of the donation in question must be upheld.[14] It rendered judgment, viz:

> WHEREFORE, in view of the foregoing considerations, judgment is hereby rendered:
>
> - Dismissing plaintiff's complaint;
>
> - Declaring the defendants Jesus Basa and Delia Basa the lawful owners of the land in question which is now declared in their names under Tax Declaration No. 12911 (Exhibit 4);
>
> - Ordering the plaintiff to pay the defendants Attorney's fees of P10,000.00, and to pay the Costs.(sic)
>
> SO ORDERED.[15]

Petitioners challenged the trial court's decision before the Court of Appeals via a Notice of Appeal pursuant to Rule 41 of the Revised Rules of Court.[16] The appellate court affirmed the decision of the trial court and held, viz:

> In sum, the Regional Trial Court did not commit a reversible error in disposing that plaintiff-appellants failed to prove the insanity or mental incapacity of late (sic) Feliciano Catalan at the precise moment when the property in dispute was donated.
>
> Thus, all the elements for validity of contracts having been present in the 1951 donation coupled with compliance with certain solemnities required by the Civil Code in donation inter vivos of real property under Article 749, which provides:

x x x

Mercedes Catalan acquired valid title of ownership over the property in dispute. By virtue of her ownership, the property is completely subjected to her will in everything not prohibited by law of the concurrence with the rights of others (Art. 428, NCC).

The validity of the subsequent sale dated 26 March 1979 (Exhibit 3, appellees' Folder of Exhibits) of the property by Mercedes Catalan to defendant-appellees Jesus Basa and Delia Basa must be upheld. Nothing of the infirmities which allegedly flawed its authenticity is evident much less apparent in the deed itself or from the evidence adduced. As correctly stated by the RTC, the fact that the Deed of Absolute Sale was registered only in 1992, after the death of Mercedes Catalan does not make the sale void ab initio. Moreover, as a notarized document, the deed of absolute sale carries the evidentiary weight conferred upon such public document with respect to its due execution (Garrido vs. CA 236 SCRA 450). In a similar vein, jurisprudence has it that documents acknowledged before a notary public have in their favor the presumption of regularity, and to contradict the same, there must be evidence that is clear, convincing and more than preponderant (Salame vs. CA, 239 SCRA 256).

WHEREFORE, foregoing premises considered, the Decision dated December 7, 1999 of the Regional Trial Court, Branch 69, is hereby affirmed.

SO ORDERED.[17]

Thus, petitioners filed the present appeal and raised the following issues:

- WHETHER OR NOT THE HONORABLE COURT OF APPEALS HAS DECIDED CA-G.R. CV NO. 66073 IN A WAY PROBABLY NOT IN ACCORD WITH LAW OR WITH THE APPLICABLE DECISIONS OF THE HONORABLE COURT IN HOLDING THAT "THE REGIONAL TRIAL COURT DID NOT COMMIT A REVERSIBLE ERROR IN DISPOSING THAT PLAINTIFF-APPELLANTS (PETITIONERS) FAILED TO PROVE THE INSANITY OR MENTAL INCAPACITY OF THE LATE FELICIANO CATALAN AT THE PRECISE MOMENT WHEN THE PROPERTY IN DISPUTE WAS DONATED";

- WHETHER OR NOT THE CERTIFICATE OF DISABILITY FOR DISCHARGE (EXHIBIT "S") AND THE REPORT OF A BOARD OF OFFICERS CONVENED UNDER THE PROVISIONS OF ARMY REGULATIONS (EXHIBITS "S-1" AND "S-2") ARE ADMISSIBLE IN EVIDENCE;

- WHETHER OR NOT THE HONORABLE COURT OF APPEALS HAS DECIDED CA-G.R. CV NO. 66073 IN A WAY PROBABLY NOT IN ACCORD WITH LAW OR WITH THE APPLICABLE DECISIONS OF THE HONORABLE COURT IN UPHOLDING THE SUBSEQUENT SALE OF THE PROPERTY IN DISPUTE BY THE DONEE MERCEDES CATALAN TO HER CHILDREN RESPONDENTS JESUS AND DELIA BASA; AND-

- WHETHER OR NOT CIVIL CASE NO. 17666 IS BARRED BY PRESCRIPTION AND LACHES.[18]

Petitioners aver that the presumption of Feliciano's competence to donate property to Mercedes had been rebutted because they presented more than the requisite preponderance of evidence. First, they presented the Certificate of Disability for the Discharge of Feliciano Catalan issued on October 20, 1948 by the Board of Medical Officers of the Department of Veteran Affairs. Second, they proved that on December 22, 1953, Feliciano was judged an incompetent by the Court of First Instance of Pangasinan, and put under the guardianship of BPI. Based on these two pieces of evidence, petitioners conclude that Feliciano had been suffering from a mental condition since 1948 which incapacitated him from entering into any contract thereafter, until his death on August 14, 1997. Petitioners contend that Feliciano's marriage to Corazon Cerezo on September 28, 1948 does not prove that he was not insane at the time he made the questioned donation. They further argue that the donations Feliciano executed in favor of

his successors (Decision, CA-G.R. CV No. 66073) also cannot prove his competency because these donations were approved and confirmed in the guardianship proceedings.[19] In addition, petitioners claim that the Deed of Absolute Sale executed on March 26, 1979 by Mercedes Catalan and her children Jesus and Delia Basa is simulated and fictitious. This is allegedly borne out by the fact that the document was registered only on February 20, 1992, more that 10 years after Mercedes Catalan had already died. Since Delia Basa and Jesus Basa both knew that Feliciano was incompetent to enter into any contract, they cannot claim to be innocent purchasers of the property in question.[20] Lastly, petitioners assert that their case is not barred by prescription or laches under Article 1391 of the New Civil Code because they had filed their case on April 1, 1997, even before the four year period after Feliciano's death on August 14, 1997 had begun.[21]

The petition is bereft of merit, and we affirm the findings of the Court of Appeals and the trial court.

A donation is an act of liberality whereby a person disposes gratuitously a thing or right in favor of another, who accepts it.[22] Like any other contract, an agreement of the parties is essential. Consent in contracts presupposes the following requisites: (1) it should be intelligent or with an exact notion of the matter to which it refers; (2) it should be free; and (3) it should be spontaneous.[23] The parties' intention must be clear and the attendance of a vice of consent, like any contract, renders the donation voidable.[24]

In order for donation of property to be valid, what is crucial is the donor's capacity to give consent at the time of the donation. Certainly, there lies no doubt in the fact that insanity impinges on consent freely given.[25] However, the burden of proving such incapacity rests upon the person who alleges it; if no sufficient proof to this effect is presented, capacity will be presumed.[26]

A thorough perusal of the records of the case at bar indubitably shows that the evidence presented by the petitioners was insufficient to overcome the presumption that Feliciano was competent when he donated the property in question to Mercedes. Petitioners make much ado of the fact that, as early as 1948, Feliciano had been found to be suffering from schizophrenia by the Board of Medical Officers of the Department of Veteran Affairs. By itself, however, the allegation cannot prove the incompetence of Feliciano.

A study of the nature of schizophrenia will show that Feliciano could still be presumed capable of attending to his property rights. Schizophrenia was brought to the attention of the public when, in the late 1800s, Emil Kraepelin, a German psychiatrist, combined "hebrephrenia" and "catatonia" with certain paranoid states and called the condition "dementia praecox." Eugene Bleuler, a Swiss psychiatrist, modified Kraepelin's conception in the early 1900s to include cases with a better outlook and in 1911 renamed the condition "schizophrenia." According to medical references, in persons with schizophrenia, there is a gradual onset of symptoms, with symptoms becoming increasingly bizarre as the disease progresses. The condition improves (remission or residual stage) and worsens (relapses) in cycles. Sometimes, sufferers may appear relatively normal, while other patients in remission may appear strange because they speak in a monotone, have odd speech habits, appear to have no emotional feelings and are prone to have "ideas of reference." The latter refers to the idea that random social behaviors are directed against the sufferers.[27] It has been proven that the administration of the correct medicine helps the patient. Antipsychotic medications help bring biochemical imbalances closer to normal in a schizophrenic. Medications reduce delusions, hallucinations and incoherent thoughts and reduce or eliminate chances of relapse.[28] Schizophrenia can result in a dementing illness similar in many aspects to Alzheimer's disease. However, the illness will wax and wane over many years, with only very slow deterioration of intellect.[29]

From these scientific studies it can be deduced that a person suffering from schizophrenia does not necessarily lose his competence to intelligently dispose his property. By merely alleging the existence of schizophrenia, petitioners failed to show substantial proof that at the date of the donation, June 16, 1951, Feliciano Catalan had

lost total control of his mental faculties. Thus, the lower courts correctly held that Feliciano was of sound mind at that time and that this condition continued to exist until proof to the contrary was adduced.[30] Sufficient proof of his infirmity to give consent to contracts was only established when the Court of First Instance of Pangasinan declared him an incompetent on December 22, 1953.[31]

It is interesting to note that the petitioners questioned Feliciano's capacity at the time he donated the property, yet did not see fit to question his mental competence when he entered into a contract of marriage with Corazon Cerezo or when he executed deeds of donation of his other properties in their favor. The presumption that Feliciano remained competent to execute contracts, despite his illness, is bolstered by the existence of these other contracts. Competency and freedom from undue influence, shown to have existed in the other acts done or contracts executed, are presumed to continue until the contrary is shown.[32]

Needless to state, since the donation was valid, Mercedes had the right to sell the property to whomever she chose.[33] Not a shred of evidence has been presented to prove the claim that Mercedes' sale of the property to her children was tainted with fraud or falsehood. It is of little bearing that the Deed of Sale was registered only after the death of Mercedes. What is material is that the sale of the property to Delia and Jesus Basa was legal and binding at the time of its execution. Thus, the property in question belongs to Delia and Jesus Basa.

Finally, we note that the petitioners raised the issue of prescription and laches for the first time on appeal before this Court. It is sufficient for this Court to note that even if the present appeal had prospered, the Deed of Donation was still a voidable, not a void, contract. As such, it remained binding as it was not annulled in a proper action in court within four years.[34]

IN VIEW WHEREOF, there being no merit in the arguments of the petitioners, the petition is DENIED. The decision of the Court of Appeals in CA-G.R. CV No. 66073 is affirmed in toto.

SO ORDERED.

Sandoval-Gutierrez, Corona, Azcuna, and Garcia, JJ., concur.

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[1] Exhibit "S," Original Records, p. 112.

[2] Exhibit "11," Folder of Exhibits for Defendants.

[3] Exhibit "A" and "1," rollo, p. 59.

[4] Exhibit "P," Folder of Exhibits for Plaintiffs-Appellants, p. 24.

[5] Exhibit "O," id. at 23.

[6] Exhibit "G," id. at 8.

[7] Exhibit "H," rollo, p. 57.

[8] Exhibit "I," Folder of Exhibits for Plaintiffs-Appellants, p. 10.

[9] Exhibit "N-2," id. at 18.

[10] Exhibit "B," rollo, p. 60.

[11] Exhibit "R" and Exhibit "4," Folder of Exhibits for Plaintiffs-Appellants, p. 26.

[12] Supra note 9.

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[13] Civil Case No. 17666.

[14] Rollo, p. 44.

[15] Id. at 3.

[16] Docketed as CA-G.R. CV No. 66073.

[17] Rollo, pp. 40-42.

[18] Id. at 4.

[19] Id. at 10.

[20] Id. at 12.

[21] Article 1391. The action for annulment shall be brought within four years. This period shall begin: In cases of intimidation, violence or undue influence, from the time the defect of the consent ceases.

In case of mistake or fraud, from the time of the discovery of the same.

And when the action refers to contracts entered into by minors or other incapacitated persons, from the time the guardianship ceases.

[22] CIVIL CODE, Art. 725.

[23] Lim, Jr. v. San, G.R. No. 159723, September 9, 2004, 438 SCRA 102, 106-107.

[24] Vitug, Civil Law Annotated, Vol. II, 2003 edition, p. 149, citing Espino v. Spouses Vicente. G.R. No. 168396, June 22, 2006, 492 SCRA 330.

See also Article 1330 of the New Civil Code:

ARTICLE 1330. A contract where consent is given through mistake, violence, intimidation, undue influence, or fraud is voidable.

[25] See CIVIL CODE, Art. 1327 (2) in relation to Art. 1318 (1).

[26] Miguela Carillo v. Justimiano Jaojoco, 46 Phil 957, 960 (1924), Vitalista, et al. v. Perez, et al., G.R. No. 164147, June 16, 2006, 491 SCRA 127.

[27] Kahn, Ada P. and Fawcett, Jan. The Encyclopedia of Mental Health. New York, 1993, p. 326.

[28] Id. at 327.

[29] Samuels, Martin A., ed. Manual of Neurologic Therapeutics With Essentials of Diagnosis, Third Edition. Boston/Toronto, Little, Brown and Company, 1986, p. 49.

[30] Mendozana, et al. v. Ozamiz et al., G.R. No. 143370, February 6, 2002, 376 SCRA 482, citing 29 Am Jur 2d Evidence § 295; Norwood v. Norwood, 207 Ga 148, 60 SE2d 449.

[31] Exhibit "H," rollo, p. 57.

[32] Supra note 30, citing Blochowitz v. Blochowitz, 122 Neb 385, 240 NW 586, 82 ALR 949.

[33] Article 428 of the New Civil Code. The owner has the right to enjoy and dispose of a thing, without other limitations than those established by law.

The owner has also a right of action against the holder and possessor of the thing in order to recover it.

[34] CIVIL CODE, Art. 1390. The following contracts are voidable or annullable, 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.

Art. 1391. The action for annulment shall be brought within four years xxx.

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