

**ANSELMO TAGHOY AND THE LATE VICENTA T. APA, SUBSTITUTED
BY HER HEIRS, NAMELY, MANUEL T. APA, NICASIO T. APA, DELFIN T.
APA, ALMA A. JACALAN, ARLENE A. SUMALINOG, AIDA A. ARONG, ...**

G.R. No. 159665. August 03, 2010

Ponente: BRION, J.

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BRION, J.:

We resolve the present petition for review on certiorari[1] filed by petitioners Anselmo Taghoy and the heirs of Vicenta T. Apa (petitioners) to challenge the decision[2] and the resolution[3] of the Court of Appeals (CA) in CA-G.R. CV No. 54385.[4] The CA decision set aside the decision[5] of the Regional Trial Court (RTC), Branch 27, Lapu-lapu City in Civil Case No. 2247. The CA resolution denied the petitioners' subsequent motion for reconsideration.

FACTUAL BACKGROUND

The facts of the case, gathered from the records, are briefly summarized below.

Spouses Filomeno Taghoy and Margarita Amit[6] owned an 11,067 square meter parcel of land, known as Lot 3635-B of subdivision plan (LRC) Psd-212881 (subject property), located in Barrio Agus, Lapu-Lapu City, Cebu under Transfer Certificate of Title (TCT) No. 6466 of the Lapu-Lapu City Registry of Deeds.[7]

On August 6, 1975, Filomeno and Margarita[8] executed a special power of attorney, appointing Felixberto Tigol, Jr. as their attorney-in-fact.[9] On August 21, 1975, Felixberto, as attorney-in-fact, executed a real estate mortgage over the subject property to secure a loan of P22,000.00 with the Philippine National Bank (PNB).[10] Filomeno and Margarita obtained the loan to finance the shellcraft business of their children.[11]

Filomeno died intestate on February 12, 1976. On July 27, 1979, his widow, Margarita, and their seven children, namely, Vicenta, Felisa, Pantaleon, Gaudencio, Anselmo, Anastacia and Rosita, as heirs of the deceased, executed a Deed of Extrajudicial Settlement and Sale, adjudicating to themselves the subject property and selling the same to Rosita and her husband Felixberto (respondents) for P1,000.00.[12]

Subsequently, on September 7, 1981 and August 10, 1982, Filomeno's heirs executed two (2) Deeds of Confirmation of Sale, confirming the supposed sale of the subject property by Filomeno and Margarita in favor of the respondents for P1,000.00.[13] Simultaneous with the execution of the deeds, however, the respondents executed explanatory Joint Affidavits attesting that the sale was without any consideration, and was only executed to secure a loan.[14]

On March 9, 1983, TCT No. 13250 was issued in the respondents' names.[15] On July 1, 1983, the respondents obtained a P70,000.00 loan with the Philippine Banking Corporation, secured by a real estate mortgage on the subject property.[16]

Seven (7) years later, on April 17, 1990, Anselmo and Vicenta, together with Margarita, Felisa, Gaudencio, and

Pantaleon's surviving heir, Annabel, filed a complaint against the respondents and Anastacia for declaration of nullity of the respondents' TCT and for judicial partition.[17] They alleged that the deeds of confirmation of sale became the bases for the transfer of the title in the respondents' names, but the sale was fictitious or simulated, as evidenced by the respondents' own explanatory joint affidavits attesting that the transfer was for the purpose only of convenience in securing a loan, not for absolute conveyance or sale.

The respondents admitted that they executed the joint affidavits but countered that they acquired a valid title to the subject property through the Extrajudicial Settlement of Heirs and Sale. They claimed that when Filomeno died without the PNB loan being paid, the heirs agreed that the respondents will advance payment of the loan, subject to reimbursement, to save the foreclosure of the subject property; the heirs then executed the Extrajudicial Settlement and Sale in the respondents' favor as their way of reimbursing the amount the latter paid; the respondents executed the joint affidavits out of generosity, expressing their willingness to be reimbursed, but when the heirs failed to reimburse the amounts advanced by them, then they caused the registration of the title in their names.[18]

Margarita, Felisa, Gaudencio and Annabel failed to appear at the initial hearing, prompting the petitioners' counsel to manifest that, except for Anselmo and Vicenta, they were abandoning the complaint.[19] The petitioners subsequently amended the complaint to implead Margarita, Felisa, Gaudencio and Annabel as party defendants or unwilling plaintiffs.[20]

THE RTC RULING

In its decision, the RTC found that the sale of the subject property was absolutely simulated since the deeds of confirmation of sale were executed only to accommodate the respondents' loan application using the subject property as collateral. The lower court thus ordered the nullification of the respondents' title. It likewise ordered the partition of the subject property after reimbursement of the amount the respondents paid for the loan.[21]

Subsequently, the respondents filed a motion for new trial, anchored on newly discovered evidence allegedly proving that the subject property is Margarita's paraphernal property.[22] When the RTC denied[23] the motion for new trial, the respondents filed an appeal with the CA, under Rule 41 of the Rules of Court.

THE CA RULING

The CA decided the appeal on August 26, 2002, reversing the RTC decision. Relying upon Margarita's testimony that the respondents paid the loan, the CA found that the contract between the parties was relatively simulated; the respondents' payment of the PNB loan was the real consideration for the transfer of title.

After the CA denied[24] the motion for reconsideration[25] that followed, the petitioners filed the present petition.

THE PETITION

The petitioners argue that the heirs, in executing the extrajudicial settlement, did not intend to divest themselves of their respective rightful shares, interests and participation in the subject property because it lacked a consideration, as affirmed by the respondents' own joint affidavits; the payment of the PNB loan could not be a valid consideration for the transfer since the loan was still unpaid and outstanding at the time of the execution of the extrajudicial settlement.[26]

THE CASE FOR THE RESPONDENTS

The respondents, on the other hand, maintain that the Extrajudicial Settlement and Sale was the basis of their registration of title, and their payment of the PNB loan was the real consideration for the transfer; the joint affidavits were executed only out of generosity and kindness, subject to the heirs' reimbursement of the amounts they paid for the loan, such that when the heirs did not reimburse the amounts paid, they then caused the registration of title in their names.[27]

THE ISSUE

The core issue boils down to whether the sale of the subject property between the parties was absolutely or relatively simulated.

OUR RULING

We find the petition meritorious.

This Court is not a trier of facts. However, if the inference drawn by the appellate court from the facts is manifestly mistaken, as in the present case, we can review the evidence to allow us to arrive at the correct factual conclusions based on the record.[28]

In the interpretation of contracts, the intention of the parties is accorded primordial consideration;[29] such intention is determined from the express terms of their agreement,[30] as well as their contemporaneous and subsequent acts.[31] When the parties do not intend to be bound at all, the contract is absolutely simulated; if the parties conceal their true agreement, then the contract is relatively simulated.[32] An absolutely simulated contract is void, and the parties may recover from each other what they may have given under the simulated contract, while a relatively simulated contract is valid and enforceable as the parties' real agreement binds them.[23] Characteristic of simulation is that the apparent contract is not really desired or intended to produce legal effects, or in any way, alter the juridical situation of the parties.[34]

In the present case, the parties never intended to be bound by their agreement as revealed by the two (2) joint affidavits executed by the respondents simultaneous with the execution of the deeds of confirmation of sale. The September 7, 1981 Joint Affidavit stated:

2. That the truth of the matter is that the deed of sale and the confirmation of said sale by the legal heirs are executed for the purpose of securing a loan in our name but which amount of said loan shall be divided equally among the legal heirs, and that every heir shall pay his corresponding share in the amortization payment of said loan;
3. That said sale was without any consideration, and that we executed this affidavit to establish the aforesaid facts for purposes of loan only but not for conveyance and transfer in our name absolutely and forever but during the duration of the terms of the loan;
4. That we executed this affidavit voluntarily and freely in order to establish this facts (sic) above-mentioned and to undertake to return the said land to the legal heirs of the late spouse, Filomeno Taghoy, survived by his widow, Rita Amit-Taghoy, upon full payment of our intended loan.

The August 10, 1982 Joint Affidavit, on the other hand, averred:

3. That the truth of the matter is that said Lot No. 3635-B was sold without any purchase price or consideration paid to said Filomeno Taghoy, but for the purpose of securing a loan in our name but which amount of said loan shall be divided equally among us, the legal heirs of Filomeno Taghoy;
4. That in case the loan will be fully paid, we shall obligate ourselves to resell, reconvey the said Lot No.

3635-B in favor of the Heirs of Filomeno Taghoy and Rita Amit, and in case, the said loan will not be post (sic) through.

5. That we executed this affidavit voluntarily and freely in order to establish the aforesaid facts and to attest the fact that said deed of confirmation of sale is only for purposes of convenience in securing the loan and not for absolute conveyance or sale.[36]

The joint affidavits are very solid pieces of evidence in the petitioners' favor. They constitute admissions against interest made by the respondents under oath. An admission against interest is the best evidence that affords the greatest certainty of the facts in dispute,[37] based on the presumption that no man would declare anything against himself unless such declaration is true.[38] It is fair to presume that the declaration corresponds with the truth, and it is his fault if it does not.[39]

Thus, by the respondents' own admissions, they never intended to be bound by the sale; they merely executed the documents for convenience in securing a bank loan, and they agreed to reconvey the subject property upon payment of the loan. The sale was absolutely simulated and, therefore, void.

We find that the CA misappreciated Margarita's testimony that the respondents are entitled to the entire property because they redeemed or paid the bank loan.[40] The failure of the other heirs to reimburse the amounts advanced by the respondents in payment of the loan did not entitle the latter to claim full ownership of the co-owned property.[41] It only gave them the right to claim reimbursement for the amounts they advanced in behalf of the co-ownership. The respondents' advance payments are in the nature of necessary expenses for the preservation of the co-ownership. Article 488 of the Civil Code provides that necessary expenses may be incurred by one co-owner, subject to his right to collect reimbursement from the remaining co-owners.[42] Until reimbursed, the respondents hold a lien upon the subject property for the amount they advanced.

Based on the foregoing, we find that the CA erred in setting aside the decision of the RTC and in dismissing the petitioners' complaint against the respondents.

WHEREFORE, we hereby REVERSE and SET ASIDE the decision dated August 26, 2002 and the resolution dated July 22, 2003 of the Court of Appeals in CA-G.R. CV No. 54385. The decision dated February 23, 1994 of the Regional Trial Court, Branch 27, Lapu-Lapu City in Civil Case No. 2247 is REINSTATED. No pronouncement as to costs.

SO ORDERED.

Carpio Morales, (Chairperson), Bersamin, [*]Abad, and Villarama, Jr., JJ., concur.

[*] Designated additional Member of the Third Division in view of the retirement of Chief Justice Reynato S. Puno, per Special Order No. 843 dated May 17, 2010.

[1] Filed under Rule 45 of the Rules of Court; rollo, pp. 10-22.

[2] Dated August 26, 2002. Penned by Associate Justice Rebecca de Guia-Salvador, with Associate Justices Godardo A. Jacinto and Eloy R. Bello, Jr. concurring; id. at 23-32.

[3] Dated July 22, 2003; id. at 33.

[4] Entitled "Anselmo Taghoy and Vicenta T. Apa v. Sps. Felixberto Tigol, Jr. and Rosila T. Tigol, Anastacia T. Pangatungan, Margarita A. Taghoy, Felisa Taghoy, Gaudencio Taghoy and Annabel Taghoy, represented by Margarita A. Taghoy."

[5] Dated February 23, 1994; Original Records, pp. 109-115.

[6] Also known as "Rita A. Taghoy" in other parts of the records.

[7] Original Records, pp. 20-22.

[8] Also referred to in Transfer Certificate of Title No. 6466 as "Rita Amit Taghoy."

[9] The Special Power of Attorney was duly annotated in the Memorandum of Encumbrances of Transfer Certificate of Title No. 666; Original Records, p. 21.

[10] Ibid.

[11] TSN of June 29, 1991, Testimony of Margarita Taghoy, p. 7; id. at 69.

[12] Id. at 26-27.

[13] Id. at 9-10.

[14] Id. at 11 and 48; with the mortgage to and loan from PNB duly annotated in the Memorandum of Encumbrances of Transfer Certificate of Title No. 6466.

[15] Id. at 8.

[16] Ibid, (backpage).

[17] Id. at 1-7.

[18] Id. at 16-19.

[19] Id. at 40.

[20] Id. at 41-47.

[21] Supra note 5.

[22] Id at 117-121.

[23] Id at 185-186.

[24] Supra note 3.

[25] CA rollo, pp. 76-82.

[26] Rollo, pp. 106-119.

[27] Id. at 81-94.

[28] Heirs of Flores Restar v. Heirs of Dolores R. Cichon, G.R. No. 161720, November 22, 2005, 475 SCRA 731, 739; Casol v. Purefoods Corporation, G.R. No. 166550, September 22, 2005, 470 SCRA 585, 589; Carpio v. Valmonte, 481 Phil. 352, 358 (2004).

[29] Valeria v. Refresca, G.R. No. 163687, March 28, 2006, 485 SCRA 494, 501; Ramos v. Heirs of Honorio Ramos, Sr., 431 Phil. 337, 345 (2002).

[30] CIVIL CODE, Art. 1370. If the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control.

If the words appear to be contrary to the evident intention of the parties, the latter shall prevail over the former.

[31] CIVIL CODE, Art. 1371. In order to judge the intention of the contracting parties, their contemporaneous and subsequent acts shall be principally considered.

[32] CIVIL CODE, Art. 1345. Simulation of a contract may be absolute or relative. The former takes place when the parties do not intend to be bound at all; the latter, when the parties conceal their true agreement.

[33] Heirs of the late Spouses halite v. Lim, 487 Phil. 281, 293; Sps. Velasquez v. Court of Appeals, 399 Phil. 193,200(2000).

[34] Valeria v. Refresca, supra note 29, at 500; Loyola v. Court of Appeals, 383 Phil. 171, 182 (2000).

[35] Original Records, p. 48.

[36] Id. at 11.

[37] Heirs of Miguel Franco v. Court of Appeals, 463 Phil. 417, 428 (2003); Yuliongsiu v. PNB, 130 Phil. 575,580 (1968).

[38] Republic v. Bautista, G.R. No. 169801, September 11, 2007, 532 SCRA 598, 609; Bon v. People, 464 Phil. 125; S38(2004).

[39] Rufina Patis Factory v. Alusitain, 478 Phil. 544, 558 (2004).

[40] TSN of June 29, 1991, Testimony of Margarita Taghoy, p. 8; Original Records, p. 70.

[41] See Paulmitan v. Court of Appeals, G.R. No. 61584, November 25, 1992, 215 SCRA 866. 873-874; Adille v. Court of Appeals, 241 Phil. 487, 493 (1988).

[42] CIVIL CODE, Art. 488. Each co-owner shall have a right to compel the other co-owners to contribute to the expenses of preservation of the thing or right owned in common and to the taxes. Any one of the latter may exempt himself from this obligation by renouncing so much of his undivided interest as may be equivalent to his share of the expenses and taxes. No such waiver shall be made if it is prejudicial to the co-ownership.

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