SALUN-AT MARQUEZ AND NESTOR DELA CRUZ, PETITIONERS, VS. ELOISA ESPEJO, ELENITA ESPEJO, EMERITA ESPEJO, OPHIRRO ESPEJO, OTHNIEL ESPEJO, ORLANDO ESPEJO, OSMUNDO ESPEJO, ODELEJO ES...

G.R. No. 168387. August 25, 2010

Ponente: DEL CASTILLO, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-168387/

DEL CASTILLO, J.:

When the parties admit the contents of written documents but put in issue whether these documents adequately and correctly express the true intention of the parties, the deciding body is authorized to look beyond these instruments and into the contemporaneous and subsequent actions of the parties in order to determine such intent.

Well-settled is the rule that in case of doubt, it is the intention of the contracting parties that prevails, for the intention is the soul of a contract, not its wording which is prone to mistakes, inadequacies, or ambiguities. To hold otherwise would give life, validity, and precedence to mere typographical errors and defeat the very purpose of agreements.

This Petition for Review on Certiorari[1] assails the October 7, 2003 Decision,[2] as well as the May 11, 2005 Resolution[3] of the Court of Appeals (CA) in CA G.R. SP No. 69981. The dispositive portion of the appellate court's Decision reads:

> WHEREFORE, finding reversible error committed by the Department of Agrarian Reform Adjudication Board, the instant petition for review is GRANTED. The assailed Decision, dated 17 January 2001, rendered by the Department of Agrarian Reform Adjudication Board is hereby ANNULLED and SET ASIDE. The Decision of the Department of Agrarian Reform Adjudication Board of Bayombong[,] Nueva Vizcaya, dated 17 March 1998, is REINSTATED. Costs against respondents.
>
> SO ORDERED.[4]

The reinstated Decision of the Department of Agrarian Reform Adjudication Board (DARAB) of Bayombong, Nueva Vizcaya, in turn, contained the following dispositive portion:

> Accordingly, judgment is rendered:
>
> - Finding [respondents] to be the owner by re-purchase from RBBI [of] the Murong property covered by TCT No. [T-]62096 (formerly TCT No. 43258);
>
> - Ordering the cancellation of TCT with CLOA Nos. 395 and 396 in the name[s] of Salun-at Marquez and Nestor de la Cruz respectively, as they are disqualified to become tenants of the Lantap property;
>
> - Directing RBBI to sell through VOS the Lantap property to its rightful beneficiary, herein tenant-farmer Nemi Fernandez under reasonable terms and conditions;
>
> - Ordering RBBI to return the amount paid to it by Nestor and Salun-at; and ordering the latter to pay 20

> cavans of palay per hectare at 46 kilos per cavan unto [respondents] plus such accrued and unpaid rentals for the past years as may be duly accounted for with the assistance of the Municipal Agrarian Reform Officer of Bagabag, Nueva Vizcaya who is also hereby instructed to assist the parties execute their leasehold contracts and;
>
> - The order to supervise harvest dated March 11, 1998 shall be observed until otherwise modified or dissolved by the appellate body.
>
> SO ORDERED.[5]

Factual Antecedents

Respondents Espejos were the original registered owners of two parcels of agricultural land, with an area of two hectares each. One is located at Barangay Lantap, Bagabag, Nueva Vizcaya (the Lantap property) while the other is located in Barangay Murong, Bagabag, Nueva Vizcaya (the Murong property). There is no dispute among the parties that the Lantap property is tenanted by respondent Nemi Fernandez (Nemi)[6] (who is the husband[7] of respondent Elenita Espejo (Elenita), while the Murong property is tenanted by petitioners Salun-at Marquez (Marquez) and Nestor Dela Cruz (Dela Cruz).[8]

The respondents mortgaged both parcels of land to Rural Bank of Bayombong, Inc. (RBBI) to secure certain loans. Upon their failure to pay the loans, the mortgaged properties were foreclosed and sold to RBBI. RBBI eventually consolidated title to the properties and transfer certificates of title (TCTs) were issued in the name of RBBI. TCT No. T-62096 dated January 14, 1985 was issued for the Murong property. It contained the following description:

> Beginning at a point marked I on plan H-176292, S. 44034 W. 1656.31 m. more or less from B.L.L.M. No 1, Bagabag Townsite, K-27,
>
> thence N. 28 deg. 20 `E., 200.00 m. to point 2;
> thence S. 61 deg. 40 `E., 100.00 m. to point 3;
> thence S. 28 deg. 20 `W., 200.00 m. to point 4;
> thence N. 61 deg. 40 `W., 100.00 m. to point 1; point of beginning;
>
> Containing an area of 2.000 hectares. Bounded on the northeast, by Road; on the southeast, and southwest by public land; and on the northwest by Public Land, properties claimed by Hilario Gaudia and Santos Navarrete. Bearings true. Declination 0131 `E. Points referred to are marked on plan H-176292. Surveyed under authority of sections 12-22 Act No. 2874 and in accordance with existing regulations of the Bureau of Lands by H.O. Bauman Public Land Surveyor, [in] December 1912-March 1913. Note: All corners are Conc. Mons. 15x15x60 cm. This is Lot No. 79-A=Lot No. 159 of Bagabag Townsite, K-27.[9]

Subsequently, TCT No. T-62836 dated June 4, 1985 was issued for the Lantap property and contained the following description:

> Beginning at a point marked "1" on plan H-105520, N. 80 deg. 32 `W., 1150.21 m. from BLLM No. 122, Irrigation project,
>
> thence N. 61 deg. 40'E., 200.00 m. to point 2;
> thence N. 28 deg. 20'E, 100.00 m. to point 3;
> thence S. 61 deg. 40'E, 200.00 m. to point 4;
>
> thence S. 28 deg. 20'W, 100.00 m. to point 1; point of beginning; containing an area of 2.0000 hectares. Bounded on the northeast, southeast, and southwest by Public land; and on the northwest by Road and public land. Bearings true. Declination 0 deg. 31'E., points referred to are marked on plan H-105520. Surveyed under

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

> authority of Section 12-22, Act No. 2874 and in accordance with existing regulations of the Bureau of Lands, by H.O. Bauman Public Land Surveyor, [in] Dec. 1912-Mar. 1913 and approved on January 6, 1932. Note: This is Lot No. 119-A Lot No. 225 of Bagabag Townsite K-27. All corners are B.I. Conc. Mons. 15x60 cm.[10]

Both TCTs describe their respective subjects as located in "Bagabag Townsite, K-27," without any reference to either Barangay Lantap or Barangay Murong.

On February 26, 1985, respondents Espejos bought back one of their lots from RBBI. The Deed of Sale[11] described the property sold as follows:

> x x x do hereby SELL, TRANSFER, and CONVEY, absolutely and unconditionally x x x that certain parcel of land, situated in the Municipality of Bagabag, Province of Nueva Vizcaya, and more particularly bounded and described as follows, to wit:
>
> Beginning at a point marked "1" on plan x x x x Containing an area of 2.000 hectares. Bounded on the NE., by Road; on the SE., and SW by Public Land; and on the NW., by Public Land, properties claimed by Hilario Gaudia and Santos Navarrete. Bearing true. Declination 013 `B. Points referred to are marked on plan H-176292.

of which the Rural Bank of Bayombong (NV) Inc., is the registered owner in fee simple in accordance with the Land Registration Act, its title thereto being evidenced by Transfer Certificate of Title No. T-62096 issued by the Registry of Deeds of Nueva Vizcaya.

As may be seen from the foregoing, the Deed of Sale did not mention the barangay where the property was located but mentioned the title of the property (TCT No. T-62096), which title corresponds to the Murong property. There is no evidence, however, that respondents took possession of the Murong property, or demanded lease rentals from the petitioners (who continued to be the tenants of the Murong property), or otherwise exercised acts of ownership over the Murong property. On the other hand, respondent Nemi (husband of respondent Elenita and brother-in-law of the other respondents), continued working on the other property -- the Lantap property -- without any evidence that he ever paid rentals to RBBI or to any landowner. The Deed of Sale was annotated on TCT No. T-62096 almost a decade later, on July 1, 1994.[12]

Meanwhile, on June 20, 1990, RBBI, pursuant to Sections 20[13] and 21[14] of Republic Act (RA) No. 6657,[15] executed separate Deeds of Voluntary Land Transfer (VLTs) in favor of petitioners Marquez and Dela Cruz, the tenants of the Murong property. Both VLTs described the subject thereof as an agricultural land located in Barangay Murong and covered by TCT No. T-62836 (which, however, is the title corresponding to the Lantap property).[16]

After the petitioners completed the payment of the purchase price of P90,000.00 to RBBI, the DAR issued the corresponding Certificates of Land Ownership Award (CLOAs) to petitioners Marquez[17] and Dela Cruz[18] on September 5, 1991. Both CLOAs stated that their subjects were parcels of agricultural land situated in Barangay Murong.[19] The CLOAs were registered in the Registry of Deeds of Nueva Vizcaya on September 5, 1991.

On February 10, 1997 (more than 10 years after the Deed of Sale in favor of the respondents and almost seven years after the execution of VLTs in favor of the petitioners), respondents filed a Complaint[20] before the Regional Agrarian Reform Adjudicator (RARAD) of Bayombong, Nueva Vizcaya for the cancellation of petitioners' CLOAs, the deposit of leasehold rentals by petitioners in favor of respondents, and the execution of a deed of voluntary land transfer by RBBI in favor of respondent Nemi. The complaint was based on respondents' theory that the Murong property, occupied by the petitioners, was owned by the respondents by virtue of the 1985 buy-back, as documented in the Deed of Sale. They based their claim on the fact that their Deed of Sale refers to

TCT No. 62096, which pertains to the Murong property.

Petitioners filed their Answer[21] and insisted that they bought the Murong property as farmer-beneficiaries thereof. They maintained that they have always displayed good faith, paid lease rentals to RBBI when it became the owner of the Murong property, bought the same from RBBI upon the honest belief that they were buying the Murong property, and occupied and exercised acts of ownership over the Murong property. Petitioners also argued that what respondents Espejos repurchased from RBBI in 1985 was actually the Lantap property, as evidenced by their continued occupation and possession of the Lantap property through respondent Nemi.

RBBI answered[22] that it was the Lantap property which was the subject of the buy-back transaction with respondents Espejos. It denied committing a grave mistake in the transaction and maintained its good faith in the disposition of its acquired assets in conformity with the rural banking rules and regulations.

OIC-RARAD Decision[23]

The OIC-RARAD gave precedence to the TCT numbers appearing on the Deed of Sale and the VLTs. Since TCT No. T-62096 appeared on respondents' Deed of Sale and the said title refers to the Murong property, the OIC-RARAD concluded that the subject of sale was indeed the Murong property. On the other hand, since the petitioners' VLTs referred to TCT No. T-62836, which corresponds to the Lantap property, the OIC-RARAD ruled that petitioners' CLOAs necessarily refer to the Lantap property. As for the particular description contained in the VLTs that the subject thereof is the Murong property, the OIC-RARAD ruled that it was a mere typographical error.

Further, since the VLTs covered the Lantap property and petitioners are not the actual tillers thereof, the OIC-RARAD declared that they were disqualified to become tenants of the Lantap property and ordered the cancellation of their CLOAs. It then ordered RBBI to execute a leasehold contract with the real tenant of the Lantap property, Nemi.

The OIC-RARAD recognized that petitioners' only right as the actual tillers of the Murong property is to remain as the tenants thereof after the execution of leasehold contracts with and payment of rentals in arrears to respondents.

DARAB Decision[24]

Upon appeal filed by petitioners, the DARAB reversed the OIC-RARAD Decision. It ruled that in assailing the validity of the CLOAs issued to petitioners as bona fide tenant-farmers, the burden of proof rests on the respondents. There being no evidence that the DAR field personnel were remiss in the performance of their official duties when they issued the corresponding CLOAs in favor of petitioners, the presumption of regular performance of duty prevails. This conclusion is made more imperative by the respondents' admission that petitioners are the actual tillers of the Murong property, hence qualified beneficiaries thereof.

As for respondents' allegation that they bought back the Murong property from RBBI, the DARAB ruled that they failed to support their allegation with substantial evidence. It gave more credence to RBBI's claim that respondents repurchased the Lantap property, not the Murong property. Respondents, as owners of the Lantap property, were ordered to enter into an agricultural leasehold contract with their brother-in-law Nemi, who is the actual tenant of the Lantap property.

The DARAB ended its January 17, 2001 Decision in this wise:

> We find no basis or justification to question the authenticity and validity of the CLOAs issued to appellants as they are by operation of law qualified beneficiaries over the landholdings; there is nothing to quiet as these

> titles were awarded in conformity with the CARP program implementation; and finally, the Board declares that all controverted claims to or against the subject landholding must be completely and finally laid to rest.
>
> WHEREFORE, premises considered and finding reversible errors[,] the assailed decision is ANNULLED and a new judgment is hereby rendered, declaring:
>
> - Appellants Salun-at Marquez and Nestor Dela Cruz as the bona fide tenant-tillers over the Murong property and therefore they are the qualified beneficiaries thereof;
>
> - Declaring Transfer Certificate of Title (TCT) Nos. 395 and 396 issued in the name of [farmer-beneficiaries] Salun-at Marquez and Nestor Dela Cruz respectively, covered formerly by TCT No. 62096 (TCT No. 43258) of the Murong property as valid and legal;
>
> - Ordering the co-[respondents] to firm-up an agricultural leasehold contract with bona fide tenant-tiller Nemi Fernandez over the Lantap property, [the latter] being the subject matter of the `buy back' arrangement entered into between [respondents] and Rural Bank of Bayombong, Incorporated, and other incidental matters are deemed resolved.
>
> SO ORDERED.[25]

Ruling of the Court of Appeals

In appealing to the CA, the respondents insisted that the DARAB erred in ruling that they repurchased the Lantap property, while the petitioners were awarded the Murong property. They were adamant that the title numbers indicated in their respective deeds of conveyance should control in determining the subjects thereof. Since respondents' Deed of Sale expressed that its subject is the property with TCT No. T-62096, then what was sold to them was the Murong property. On the other hand, petitioners' VLTs and CLOAs say that they cover the property with TCT No. T-62836; thus it should be understood that they were awarded the Lantap property. Respondents added that since petitioners are not the actual tillers of the Lantap property, their CLOAs should be cancelled due to their lack of qualification.

The CA agreed with the respondents. Using the Best Evidence Rule embodied in Rule 130, Section 3, the CA held that the Deed of Sale is the best evidence as to its contents, particularly the description of the land which was the object of the sale. Since the Deed of Sale expressed that its subject is the land covered by TCT No. T-62096 - the Murong property - then that is the property that the respondents repurchased.

The CA further ruled that as for petitioners' VLTs, the same refer to the property with TCT No. T-62836; thus, the subject of their CLOAs is the Lantap property. The additional description in the VLTs that the subject thereof is located in Barangay Murong was considered to be a mere typographical error. The CA ruled that the technical description contained in the TCT is more accurate in identifying the subject property since the same particularly describes the properties' metes and bounds.

Both the RBBI[26] and petitioners[27] filed their respective motions for reconsideration, which were separately denied.[28]

On June 22, 2004, RBBI filed a separate Petition for Review on Certiorari, docketed as G.R. No. 163320, with this Court.[29] RBBI raised the issue that the CA failed to appreciate that respondents did not come to court with clean hands because they misled RBBI to believe at the time of the sale that the two lots were not tenanted. RBBI also asked that they be declared free from any liability to the parties as it did not enrich itself at anyone's expense. RBBI's petition was dismissed on July 26, 2004 for lack of merit. The said Resolution reads:

> Considering the allegations, issues[,] and arguments adduced in the petition for review on certiorari, the Court Resolves to DENY the petition for lack of sufficient showing that the Court of Appeals had committed any

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

> reversible error in the questioned judgment to warrant the exercise by this Court of its discretionary appellate jurisdiction in this case.[30]

Their Motion for Reconsideration was likewise denied with finality.[31] Entry of judgment was made in that case on December 15, 2004.[32]

On July 27, 2005,[33] petitioners filed the instant petition.

Issues

Rephrased and consolidated, the parties present the following issues for the Court's determination:

I

What is the effect of the final judgment dismissing RBBI's Petition for Review on Certiorari, which assailed the same CA Decision

II

Whether the CA erred in utilizing the Best Evidence Rule to determine the subject of the contracts

III

What are the subject properties of the parties' respective contracts with RBBI

Our Ruling

Propriety of the Petition

Respondents maintain that the instant petition for review raises factual issues which are beyond the province of Rule 45.[34]

The issues involved herein are not entirely factual. Petitioners assail the appellate court's rejection of their evidence (as to the contractual intent) as inadmissible under the Best Evidence Rule. The question involving the admissibility of evidence is a legal question that is within the Court's authority to review.[35]

Besides, even if it were a factual question, the Court is not precluded to review the same. The rule that a petition for review should raise only questions of law admits of exceptions, among which are "(1) when the findings are grounded entirely on speculations, surmises, or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misappreciation of facts; (5) when the findings of fact are conflicting; (6) when, in making its findings, the same are contrary to the admissions of both appellant and appellee; (7) when the findings are contrary to those of the trial court; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; and (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record."[36]

In the instant case, we find sufficient basis to apply the exceptions to the general rule because the appellate court misappreciated the facts of the case through its erroneous application of the Best Evidence Rule, as will be discussed below. Moreover, the disparate rulings of the three reviewing bodies below are sufficient for the Court to exercise its jurisdiction under Rule 45.

First Issue

Dismissal of RBBI's appeal

Respondents maintain that the Court's earlier dismissal of RBBI's petition

for review of the same CA Decision is eloquent proof that there is no reversible error in the appellate court's decision in favor of the respondents.[37]

We are not persuaded. This Court dismissed RBBI's earlier petition in G.R. No. 163320 because it failed to convincingly demonstrate the alleged errors in the CA Decision. The bank did not point out the inadequacies and errors in the appellate court's decision but simply placed the responsibility for the confusion on the respondents for allegedly misleading the bank as to the identity of the properties and for misrepresenting that the two lots were not tenanted. Thus, RBBI argued that respondents did not come to court with clean hands.

These arguments were ineffectual in convincing the Court to review the appellate court's Decision. It is the appellant's responsibility to point out the perceived errors in the appealed decision. When a party merely raises equitable considerations such as the "clean hands" doctrine without a clear-cut legal basis and cogent arguments to support his claim, there should be no surprise if the Court is not swayed to exercise its appellate jurisdiction and the appeal is dismissed outright. The dismissal of an appeal does not always and necessarily mean that the appealed decision is correct, for it could simply be the result of the appellant's inadequate discussion, ineffectual arguments, or even procedural lapses.

RBBI's failure to convince the Court of the merits of its appeal should not prejudice petitioners who were not parties to RBBI's appeal, especially because petitioners duly filed a separate appeal and were able to articulately and effectively present their arguments. A party cannot be deprived of his right to appeal an adverse decision just because another party had already appealed ahead of him,[38] or just because the other party's separate appeal had already been dismissed.[39]

There is another reason not to bind the petitioners to the final judgment against RBBI. RBBI executed the transfer (VLTs) in favor of petitioners prior to the commencement of the action. Thus, when the action for cancellation of CLOA was filed, RBBI had already divested itself of its title to the two properties involved. Under the rule on res judicata, a judgment (in personam) is conclusive only between the parties and their successors-in-interest by title subsequent to the commencement of the action.[40] Thus, when the vendor (in this case RBBI) has already transferred his title to third persons (petitioners), the said transferees are not bound by any judgment which may be rendered against the vendor.[41]

Second Issue
Is it correct to apply the Best Evidence Rule?

Citing the Best Evidence Rule in Rule 130, Section 3, the CA held that the Deed of Sale between respondents and RBBI is the best evidence as to the property that was sold by RBBI to the respondents. Since the Deed of Sale stated that its subject is the land covered by TCT No. T-62096 - the title for the Murong property - then the property repurchased by the respondents was the Murong property. Likewise, the CA held that since the VLTs between petitioners and RBBI refer to TCT No. T-62836 - the title for the Lantap property - then the property transferred to petitioners was the Lantap property.

Petitioners argue that the appellate court erred in using the best evidence rule to determine the subject of the Deed of Sale and the Deeds of Voluntary Land Transfer. They maintain that the issue in the case is not the contents of the contracts but the intention of the parties that was not adequately expressed in their contracts. Petitioners then argue that it is the Parol Evidence Rule that should be applied in order to adequately resolve the dispute.

Indeed, the appellate court erred in its application of the Best Evidence Rule. The Best Evidence Rule states that when the subject of inquiry is the contents of a document, the best evidence is the original document itself and no other evidence (such as a reproduction, photocopy or oral evidence) is admissible as a general rule. The original is preferred because it reduces the chance of undetected tampering with the document.[42]

In the instant case, there is no room for the application of the Best Evidence Rule because there is no dispute regarding the contents of the documents. It is admitted by the parties that the respondents' Deed of Sale referred to TCT No. T-62096 as its subject; while the petitioners' Deeds of Voluntary Land Transfer referred to TCT No. T-62836 as its subject, which is further described as located in Barangay Murong.

The real issue is whether the admitted contents of these documents adequately and correctly express the true intention of the parties. As to the Deed of Sale, petitioners (and RBBI) maintain that while it refers to TCT No. T-62096, the parties actually intended the sale of the Lantap property (covered by TCT No. T-62836).

As to the VLTs, respondents contend that the reference to TCT No. T-62836 (corresponding to the Lantap property) reflects the true intention of RBBI and the petitioners, and the reference to "Barangay Murong" was a typographical error. On the other hand, petitioners claim that the reference to "Barangay Murong" reflects their true intention, while the reference to TCT No. T-62836 was a mere error. This dispute reflects an intrinsic ambiguity in the contracts, arising from an apparent failure of the instruments to adequately express the true intention of the parties. To resolve the ambiguity, resort must be had to evidence outside of the instruments.

The CA, however, refused to look beyond the literal wording of the documents and rejected any other evidence that could shed light on the actual intention of the contracting parties. Though the CA cited the Best Evidence Rule, it appears that what it actually applied was the Parol Evidence Rule instead, which provides:

> When the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement.[43]

The Parol Evidence Rule excludes parol or extrinsic evidence by which a party seeks to contradict, vary, add to or subtract from the terms of a valid agreement or instrument. Thus, it appears that what the CA actually applied in its assailed Decision when it refused to look beyond the words of the contracts was the Parol Evidence Rule, not the Best Evidence Rule. The appellate court gave primacy to the literal terms of the two contracts and refused to admit any other evidence that would contradict such terms.

However, even the application of the Parol Evidence Rule is improper in the case at bar. In the first place, respondents are not parties to the VLTs executed between RBBI and petitioners; they are strangers to the written contracts. Rule 130, Section 9 specifically provides that parol evidence rule is exclusive only as "between the parties and their successors-in-interest." The parol evidence rule may not be invoked where at least one of the parties to the suit is not a party or a privy of a party to the written document in question, and does not base his claim on the instrument or assert a right originating in the instrument.[44]

Moreover, the instant case falls under the exceptions to the Parol Evidence Rule, as provided in the second paragraph of Rule 130, Section 9:

> However, a party may present evidence to modify, explain or add to the terms of the written agreement if he puts in issue in his pleading:
>
> (1) An intrinsic ambiguity, mistake or imperfection in the written agreement;
>
> (2) The failure of the written agreement to express the true intent and agreement of the parties thereto;

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

> x x x x (Emphasis supplied)

Here, the petitioners' VLTs suffer from intrinsic ambiguity. The VLTs described the subject property as covered by TCT No. T-62836 (Lantap property), but they also describe the subject property as being located in "Barangay Murong." Even the respondents' Deed of Sale falls under the exception to the Parol Evidence Rule. It refers to "TCT No. T-62096" (Murong property), but RBBI contended that the true intent was to sell the Lantap property. In short, it was squarely put in issue that the written agreement failed to express the true intent of the parties.

Based on the foregoing, the resolution of the instant case necessitates an examination of the parties' respective parol evidence, in order to determine the true intent of the parties. Well-settled is the rule that in case of doubt, it is the intention of the contracting parties that prevails, for the intention is the soul of a contract,[45] not its wording which is prone to mistakes, inadequacies, or ambiguities. To hold otherwise would give life, validity, and precedence to mere typographical errors and defeat the very purpose of agreements.

In this regard, guidance is provided by the following articles of the Civil Code involving the interpretation of contracts:

> Article 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.
>
> Article 1371. In order to judge the intention of the contracting parties, their contemporaneous and subsequent acts shall be principally considered.

Rule 130, Section 13 which provides for the rules on the interpretation of documents is likewise enlightening:

> Section 13. Interpretation according to circumstances. - For the proper construction of an instrument, the circumstances under which it was made, including the situation of the subject thereof and of the parties to it, may be shown, so that the judge may be placed in the position of those whose language he is to interpret.

Applying the foregoing guiding rules, it is clear that the Deed of Sale was intended to transfer the Lantap property to the respondents, while the VLTs were intended to convey the Murong property to the petitioners. This may be seen from the contemporaneous and subsequent acts of the parties.

Third issue
Determining the intention of the parties
regarding the subjects of their contracts

We are convinced that the subject of the Deed of Sale between RBBI and the respondents was the Lantap property, and not the Murong property. After the execution in 1985 of the Deed of Sale, the respondents did not exercise acts of ownership that could show that they indeed knew and believed that they repurchased the Murong property. They did not take possession of the Murong property. As admitted by the parties, the Murong property was in the possession of the petitioners, who occupied and tilled the same without any objection from the respondents. Moreover, petitioners paid leasehold rentals for using the Murong property to RBBI, not to the respondents.

Aside from respondents' neglect of their alleged ownership rights over the Murong property, there is one other circumstance that convinces us that what respondents really repurchased was the Lantap property. Respondent Nemi (husband of respondent Elenita) is the farmer actually tilling the Lantap property, without turning over the supposed landowner's share to RBBI. This strongly indicates that the respondents considered themselves (and not RBBI) as the owners of the Lantap property. For if respondents (particularly spouses Elenita and Nemi) truly

believed that RBBI retained ownership of the Lantap property, how come they never complied with their obligations as supposed tenants of RBBI's land? The factual circumstances of the case simply do not support the theory propounded by the respondents.

We are likewise convinced that the subject of the Deeds of Voluntary Land Transfer (VLTs) in favor of petitioners was the Murong property, and not the Lantap property. When the VLTs were executed in 1990, petitioners were already the tenant-farmers of the Murong property, and had been paying rentals to RBBI accordingly. It is therefore natural that the Murong property and no other was the one that they had intended to acquire from RBBI with the execution of the VLTs. Moreover, after the execution of the VLTs, petitioners remained in possession of the Murong property, enjoying and tilling it without any opposition from anybody. Subsequently, after the petitioners completed their payment of the total purchase price of P90,000.00 to RBBI, the Department of Agrarian Reform (DAR) officials conducted their investigation of the Murong property which, with the presumption of regularity in the performance of official duty, did not reveal any anomaly. Petitioners were found to be in actual possession of the Murong property and were the qualified beneficiaries thereof. Thus, the DAR officials issued CLOAs in petitioners' favor; and these CLOAs explicitly refer to the land in Barangay Murong. All this time, petitioners were in possession of the Murong property, undisturbed by anyone for several long years, until respondents started the controversy in 1997.

All of these contemporaneous and subsequent actions of RBBI and petitioners support their position that the subject of their contract (VLTs) is the Murong property, not the Lantap property. Conversely, there has been no contrary evidence of the parties' actuations to indicate that they intended the sale of the Lantap property. Thus, it appears that the reference in their VLT to TCT No. T-62836 (Lantap property) was due to their honest but mistaken belief that the said title covers the Murong property. Such a mistake is not farfetched considering that TCT No. T-62836 only refers to the Municipality of Bayombong, Nueva Vizcaya, and does not indicate the particular barangay where the property is located. Moreover, both properties are bounded by a road and public land. Hence, were it not for the detailed technical description, the titles for the two properties are very similar.

The respondents attempt to discredit petitioners' argument that their VLTs were intrinsically ambiguous and failed to express their true intention by asking why petitioners never filed an action for the reformation of their contract.[46] A cause of action for the reformation of a contract only arises when one of the contracting parties manifests an intention, by overt acts, not to abide by the true agreement of the parties.[47] It seems fairly obvious that petitioners had no cause to reform their VLTs because the parties thereto (RBBI and petitioners) never had any dispute as to the interpretation and application thereof. They both understood the VLTs to cover the Murong property (and not the Lantap property). It was only much later, when strangers to the contracts argued for a different interpretation, that the issue became relevant for the first time.

All told, we rule that the Deed of Sale dated February 26, 1985 between respondents and RBBI covers the Lantap property under TCT No. T-62836, while the Deeds of Voluntary Land Transfer and TCT Nos. CLOA-395 and CLOA-396 of the petitioners cover the Murong property under TCT No. T-62096. In consequence, the CA's ruling against RBBI should not be executed as such execution would be inconsistent with our ruling herein. Although the CA's decision had already become final and executory as against RBBI with the dismissal of RBBI's petition in G.R. No. 163320, our ruling herein in favor of petitioners is a supervening cause which renders the execution of the CA decision against RBBI unjust and inequitable.

WHEREFORE, the Petition for Review on Certiorari is GRANTED. The assailed October 7, 2003 Decision, as well as the May 11, 2005 Resolution of the Court of Appeals in CA-G.R. SP No. 69981 are REVERSED and SET ASIDE. The January 17, 2001 Decision of the DARAB Central Office is REINSTATED. The Deed of Sale dated February 26, 1985 between respondents and Rural Bank of Bayombong, Inc. covers the Lantap property under

TCT No. T-62836, while the Deeds of Voluntary Land Transfer and TCT Nos. CLOA-395 and CLOA-396 of the petitioners cover the Murong property under TCT No. T-62096. The Register of Deeds of Nueva Vizcaya is directed to make the necessary corrections to the titles of the said properties in accordance with this Decision. Costs against respondents.

SO ORDERED.

Corona, C.J., (Chairperson),Velasco, Jr., Leonardo-De Castro, and Perez, JJ., concur.

---

[1] Rollo of G.R. No. 168387, pp. 10-26.

[2] Id. at 27-35; penned by Associate Justice Perlita J. Tria Tirona and concurred in by Associate Justices Portia Alino-Hormachuelos and Rosalinda Asuncion-Vicente.

[3] Id. at 36-37.

[4] Id. at 34.

[5] Regional Agrarian Reform Adjudicator's (RARAD's) Decision dated March 17, 1998, pp. 4-5; DARAB records, pp. 101-102.

[6] CA Decision, pp. 5-6; rollo of G.R. No. 168387, pp. 32-33. Respondents' Memorandum, p. 7; id. at 125.

[7] DARAB records, p. 57.

[8] CA Decision, pp. 5-6; rollo of G.R. No. 168387, pp. 32-33. Respondents' Memorandum, p. 7; id. at 125.

[9] DARAB records, p. 74.

[10] Id. at 69.

[11] Id. at 71-72.

[12] Entry No. 229242 - DEED OF ABSOLUTE SALE executed by the Rural Bank of Bayombong, NV, Inc., represented by Manager, Romeo F. Ramos, Jr., in favor of ELOISA ESPEJO, ELENITA ESPEJO, EMERITA ESPEJO, OPHIRO ESPEJO, OTHANIEL ESPEJO, ODELEJO ESPEJO, ORLANDO ESPEJO, OSMONDO ESPEJO, for the sum of P9,562 notarized by Miguel M. Guevara, Notary Public; under Doc. No. 51; Page No. 11; Book XIV; Series of 1985 dated February 26, 1985 and inscribed July 1, 1994 at 10:45 A.M. (Id. at 74).

[13] Section 20. Voluntary Land Transfer. - Landowners of agricultural lands subject to acquisition under this Act may enter into a voluntary arrangement for direct transfer of their lands to qualified beneficiaries x x x:

[14] Section 21. Payment of Compensation by Beneficiaries under Voluntary Land Transfer. - Direct payment in cash or in kind may be made by the farmer-beneficiary to the landowner under terms to be mutually agreed upon by both parties, which shall be binding upon them, upon registration with and approval by the DAR. Said approval shall be considered given, unless notice of disapproval is received by the farmer-beneficiary within 30 days from the date of registration. x x x

[15] Comprehensive Agrarian Reform Law of 1988.

[16] "That the LANDOWNER voluntarily transfer his ownership over a parcel of agricultural land and covered by R.A. 6657 and opted to be paid directly by the FARMER-BENEFICIARY. The said agricultural land is situated at Murong, Reservation Bagabag, Nueva Vizcaya and particularly described as follows:

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

OCT/TCT No. T-62836

x x x x (CA rollo, pp. 93 and 96)

[17] TCT No. CLOA - 395 (DARAB records, p. 84). Registered with the Land Registration Authority on September 5, 1991.

[18] TCT No. CLOA - 396 (Id. at 85). Registered with the Land Registration Authority on September 5, 1991.

[19] TO ALL WHOM THESE PRESENTS SHALL COME, GREETINGS:

WHEREAS, pursuant to the provisions of Republic Act No. 6657, dated June 10, 1988, INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION AND PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, there is hereby awarded unto SALUN-AT MARQUEZ [and NESTOR DELA CRUZ], a parcel of agricultural land situated in Barangay Murong, Municipality of Bagabag, Province of Nueva Vizcaya, Island of Luzon, Philippines, containing an area of TEN THOUSAND (10,000 sq. m.) square meters, more or less, which is now more particularly bounded and described at the back hereof.

x x x x

Reference: This certificate is a transfer from Transfer Certificate of Title No. T-62836.

(Id. at 84-85).

[20] Id. at 1-8. Docketed as DARAB Case No. II-162-NV-97.

[21] Id. at 21-25.

[22] Id. at 11-13.

[23] Id. at 79-83.

[24] Id. at 145-132. Docketed as DARAB Case No. 7554.

[25] DARAB Decision, pp. 13-14; id. at 133-132.

[26] CA rollo, pp. 142-147.

[27] Id. at 247-254.

[28] Resolution dated March 19, 2004 (Id. at 153) denying RBBI's Motion for Reconsideration; Resolution dated May 11, 2005 (Id. at 257-258) denying herein petitioners' Motion for Reconsideration.

[29] Id. at 178-190. Entitled Rural Bank of Bayombong, Inc. represented by its President/General Manager Romeo F. Ramos, Jr., vs. Eloisa Espejo, et al.

[30] Rollo of G.R. No. 163320, p. 91.

[31] Id. at 107.

[32] Id. at 108.

[33] Upon petitioners' motion, the Court issued a Resolution on July 20, 2005 granting petitioners a thirty- (30) day extension to file the Petition for Review on Certiorari. (Rollo of G.R. No. 168387, p. 8)

[34] Respondents' Memorandum, p. 9; id. at 127.

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

[35] See People v. Exala, G.R. No. 76005, April 23, 1993, 221 SCRA 494, 499; People v. Judge Señeris, 187 Phil. 558, 560 (1980); People v. Alarcon, 78 Phil. 732, 737 (1947).

[36] Reyes v. Montemayor, G.R. No. 166516, September 3, 2009, 598 SCRA 61, 74. Emphasis supplied.

[37] Respondents' Memorandum, p. 10; rollo of G.R. No. 168387, p. 128.

[38] See Borromeo v. Court of Appeals, 162 Phil. 430, 438 (1976).

[39] See Citibank, N.A. (Formerly First National City Bank) v. Sabeniano, G.R. No. 156132, October 16, 2006, 504 SCRA 378, 403-405.

[40] Rules of Court, Rule 39, Section 47 (b).

[41] See De Leon v. De Leon, 98 Phil. 589, 591-592 (1956).

[42] The Best Evidence Rule comes into play when a reproduction of the original or oral evidence is offered to prove the contents of a document. "The purpose of the rule requiring the production of the best evidence is the prevention of fraud, because if a party is in possession of [the best] evidence and withholds it, and seeks to substitute inferior evidence in its place, the presumption naturally arises that the better evidence is withheld for fraudulent purposes which its production would expose and defeat." Asuncion v. National Labor Relations Commission, 414 Phil. 329, 339 (2001).

[43] Rules of Court, Rule 130, Section 9, first paragraph.

[44] Lechugas v. Court of Appeals, 227 Phil. 310, 319 (1986).

[45] Kilosbayan, Inc. v. Guingona, Jr., G.R. No. 113375, May 5, 1994, 232 SCRA 110, 143.

[46] Respondents' Memorandum, p. 16; rollo of G.R. No. 168387, p. 134.

[47] Multi-Realty Development Corporation v. Makati Tuscany Condominium Corporation, G.R. No. 146726, June 16, 2006, 491 SCRA 9, 30-31, citing Tormon v. Cutanda, 119 Phil. 84, 87-88 (1963).

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at https://batas.org

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.