

**HADJA FATIMA GAGUIL MAGOYAG, JOINED BY HER HUSBAND,
HADJI HASAN MADLAWI MAGOYAG, PETITIONERS, VS. HADJI
ABUBACAR MARUHOM, RESPONDENT.**

G.R. No. 179743. August 02, 2010

Ponente: NACHURA, J.

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NACHURA, J.:

Hadja Fatima Gaguil Magoyag and her husband Hadji Hasan Madlawi Magoyag (petitioners), appeal by certiorari under Rule 45 of the Rules of Court the April 28, 2006 Decision[1] of the Court of Appeals (CA) in CA-G.R. CV No. 75765, and the August 28, 2007 Resolution[2] denying its reconsideration.

The antecedents:

On December 20, 1982, respondent Hadji Abubacar Maruhom (respondent) was awarded a market stall at the Reclamation Area by the Islamic City of Marawi.[3]

On December 1, 1985, respondent orally sold his stall to petitioner for P20,000.00. Later, on December 10, 1985, respondent executed a Deed of Assignment,[4] confirming the oral sale; assigning, selling, transferring, and conveying his market stall to petitioners for a consideration of P20,000.00. In the same Deed of Assignment, petitioners leased the subject stall to respondent for a monthly rental of P250.00, beginning December 1, 1985, renewable every year at the option of petitioners. Respondent undertook to pay in advance the rentals for six months amounting to P1,500.00 on or before December 1, 1985.

Respondent religiously paid the monthly rentals of P250.00, which was increased to P300.00 on December 1, 1988; and to P400.00 beginning December 1, 1991. However, on June 1, 1993, respondent simply stopped paying the rentals. Respondent promised to settle his unpaid account, but he failed to make good his promise. Petitioner then demanded that respondent vacate the property, but the demand just fell on deaf ears.

Accordingly, on August 22, 1994, petitioners filed a complaint[5] for recovery of possession and damages, with prayer for issuance of a temporary restraining order (TRO), with the Regional Trial Court (RTC) of Marawi City.

In his Answer,[6] respondent admitted selling the subject stall for P20,000.00 to petitioners, but averred that the sale was with right to repurchase; and on condition that he would remain in possession of the subject stall as long as he wants. He signed the Deed of Assignment on petitioners' assurance that the conditions they earlier agreed upon were contained in the deed. Being illiterate, he just relied on petitioners' assurances. Respondent denied that he refused to pay the agreed monthly rentals; alleging that petitioners were the ones who refused to receive the rental payments and instead demanded payment of P150,000.00. The Deed of Assignment, he added, failed to express the true intent and agreement of the parties; and his signature thereon was procured by fraud, deceit, and misrepresentation; hence, void ab initio. Respondent further averred that the complaint failed to state a cause of action, as petitioners failed to comply with the provisions of Presidential Decree (P.D.) No. 1508, or the Katarungang Pambarangay Law, and the Local Government Code of 1991. He also assailed the jurisdiction of the

RTC over the complaint, claiming the jurisdiction falls with the Municipal Trial Court (MTC). Finally, he averred that the complaint lacked the required verification and certification against forum shopping. Respondent, therefore, prayed for the dismissal of the complaint.

On June 10, 2002, the RTC rendered a Decision,[7] viz.:

After a careful examination of the foregoing facts and pieces of evidence as presented by the parties, this court is convinced that [petitioners] spouses has (sic) proved and duly established that indeed [respondent] have (sic) agreed to sell to [petitioners] spouses whatever rights that he has over the disputed stall. Their transaction was even admitted by the [respondent] when he signed the acknowledgment receipt (Exhs. "B" & "B-1") for P20,000.00 which is the agreed purchase price and the notarized Deed of Assignment (Exh. "A" to "A-6). [Respondent], however, claimed that the contents of the Deed of Assignment was (sic) not even read & translated to him, he being illiterate (sic).

The transaction was further supported by [respondent's] counter-offer to buy the stall for P80,000.00 (Exh. "D") and the acknowledgment receipts of [respondent] on the payment of rentals to the [petitioners] (Exhs. "H" to "H-6", Exh(s). "I-1" to "I-6" and Exh(s) "J" to "J-3".

The only evidence presented by the [respondent] is his lone testimony and Exh. "1" awarding [the] subject stall by the City Government to him.

The [respondent] did not present any evidence on his alleged ownership over [the] subject stall except a certification (Exh. "1") dated December 20, 1982 from the City Government awarding [the] same to him and subject even to the condition that he cannot sell, donate or otherwise alienate the same without the consent of the City Government.

It appears therefore that [the] subject stall is owned by the City Government of Marawi and that [respondent] cannot even sell or dispose of the same.

Not being the owner, the principle NEMO DAT QUOD NON HABET which means ONE CANNOT GIVE WHAT ONE DOES NOT HAVE squarely applies in this case.

At most, what [respondent] can sell is whatever rights that he has over the disputed stalls like his continued possession over the same for his business purposes. This is what [petitioner-spouses] acquired in the interest of justice.[8]

The RTC disposed, thus:

WHEREFORE, judgment is hereby rendered in favor of [petitioner-spouses] and against the [respondent] as follows:

- Whatever rights that [respondent] Hadji Abubacar Maruhom has over stall No. CTD 1583 as described in the complaint as lessee or grantee or even as the alleged owner are hereby transferred to [petitioner-spouses] Hadji Fatima Gaguil Magoyag and Hadji Hasan Madlawi Mangoyag. Said [respondent] is ordered to vacate the stall in favor of [petitioners];

- Ordering [respondent] to pay unto petitioner the following:

- (a) The unpaid rentals from June 1, 1993 up to May 31, 2002 at Three Hundred Pesos (P300.00) a month or a total of P24,900.00;
- (b) Ten Thousand (P10,000.00) pesos - moral and [e]xemplary [d]amages;
- (c) Twenty Thousand (P20,000.00) pesos - Attorney's fees.

SO ORDERED.[9]

Respondent appealed to the CA faulting the RTC for not dismissing the complaint. He argued that the complaint was filed in brazen violation of Supreme Court Circular No. 04-94 and the Rules of Court requiring a certification of non-forum shopping. He added that the subject stall is owned by the City Government of Marawi that cannot be leased or alienated. The Deed of Assignment that he executed in favor of the petitioners is, therefore, null and void. He urged the CA to apply the civil law rule on *pari delicto*.

On April 28, 2006, the CA rendered the assailed Decision reversing the RTC. The decretal portion of the CA Decision reads:

WHEREFORE, the assailed decision of the Regional Trial Court is hereby REVERSED AND SET ASIDE and another one entered declaring the Deed of Assignment dated December 10, 1985 void and [of] no effect and ordering [respondent] to pay the loan amount of P20,000.00 plus P250.00 as monthly interest thereon from the date of demand or August 1, 1994 until the same shall have been fully paid. No pronouncement as to costs.

SO ORDERED.[10]

Petitioners filed a motion for reconsideration, but the CA denied it on August 28, 2007.[11]

Hence, this appeal by petitioners, ascribing reversible error on the part of the CA for reversing the RTC. Specifically, they argue that the CA erred in declaring that the transaction they had with respondent was a loan with mortgage; and invalidating the Deed of Assignment. They insist that respondent already transferred his entire interest over the subject stall in their favor. Thus, they are entitled to the possession of the property.

In declaring the transaction as loan with mortgage, the CA explains in this wise:

x x x [t]he evidence overwhelmingly showed that the real intention of the [respondent] was to have the subject market stall mortgaged, in order to secure the payment of the loan of P20,000.00 from [petitioners]. There was no genuine intention on his part to sell the property. In fact, even after the execution of the Deed of Assignment, [respondent] remained in possession of the said property and paid religiously the so-called "monthly rentals" in the amount of two hundred fifty (P250.00) which, in reality, was the amount they had agreed upon as interest on the loan. For these reasons, We find and so hold that the purported assignment was really meant to be a contract of loan in the amount of P20,000.00 with interest thereon at the rate of P250.00 per month. The property was intended to serve as a collateral for the loan. It is firmly ensconced in jurisprudence that neither clarity of contract terms nor explicitness of the name given to it can bar Us from determining the true intent of the parties.

x x x [12]

We find the finding of the CA contrary to the evidence on record, if not outright preposterous.

The Deed of Assignment[13] reads in full:

DEED OF ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

This DEED OF ASSIGNMENT made and executed by and between:

The FIRST PARTY: Hadji Abubacar Maruhom, of legal age, married, businessman by occupation and a resident of Marawi City

-and-

The SECOND PARTY: Hadji Fatima Gaguil-Magoyag, also of legal age, married and a government employee with postal address at Moriatao Balindong, Taraka, Lanao del Sur

WITNESSETH

That for and in consideration of the sum of TWENTY THOUSAND PESOS: (P20,000.00), Philippine Currency which amount has been paid by the Second Party and receipt hereof has been acknowledge[d] by the First Party, the said First [P]arty does hereby assign, [sell] transfer and convey unto the Second Party that certain two-storey Market Stall No. CTD 1583 situated in the Reclamation Area, Marawi City which is made of cement, and lumber and more particularly described as follows:

Stall No. ----- CTD 1583
Length ----- 3 meters
Width ----- 2 meters
Adjacent Stall Owner ----- Rakim Bayabao
Fronting ----- Hadji Cosain Saripada
Back ----- Hadji Alawi Pacati

of which market stall the First Party is the registered holder/owner under the following terms and conditions:

- The FIRST PARTY is authorize[d] and empower[ed] to continue engaging in business in his own sole account on the said stall N[o]. CTD 1583 on a monthly rental of TWO HUNDRED FIFTY PESOS: (P250.00) to be paid by said FIRST PARTY to SECOND PARTY six months in advance the monthly rental to start on December 1, 1985 renewable every year at the option of the SECOND PARTY.
- The FIRST PARTY agrees to pay the SECOND PARTY the first six-month advance rental in the amount of One Thousand Five Hundred Pesos: (P1,500.00) on or before December 1, 1985, [a]nd the succeeding monthly rental shall always be payable six-month[s] in advance on a progressive rate reckoned from the future rental of adjoining stall holder/owner.
- The FIRST PARTY shall not directly or indirectly lease, assign or mortgage or [in] any way encumber said Market Stall N[o]. 1583 or any portion thereof without the written permission of the Second Party; any contract or agreement made in violation thereof shall be null and void.
- The FIRST PARTY shall turnover the Market Stall No. CTD 1583 to the SECOND PARTY should the FIRST PARTY decide to abandon the said Market Stall No. CTD 1583;
- All repairs within the premises shall be at the sole account and expense of the FIRST PARTY without right to reimbursement.
- The FIRST PARTY shall use the said Market Stall No. 1583 exclusively for business and shall not bring into the said stall any inflammable or explosive goods or materials nor any article which may expose the said stall from fire or increase the fire hazard.
- That all charges for water, light, gas, telephone within the stall shall be at the sole account of the FIRST without right to reimbursement;
- The FIRST PARTY shall be responsible for the payment of all taxes on the said [S]tall No. CTD 1583 and the compliance of all laws, ordinances and regulations or order of the National or City Government authorities arising from or requiring the use, occupation and utilization of the said Market Stall No. CTD 1583. Failure to comply with said laws, ordinances, regulations or order shall be at the exclusive risk and expense of the FIRST PARTY.

By no stretch of imagination can we construe the provisions of the Deed of Assignment as a contract of loan with mortgage. Crystal clear in the Deed of Assignment are unambiguous provisions that respondent assigned, sold, transferred, and conveyed the subject market stall to petitioners. Nowhere in the Deed does it say that respondent

obtained a loan of P20,000.00, and mortgaged the subject stall as security.

The most fundamental rule in the interpretation of contracts is that, if the terms are clear and leave no doubt as to the intention of the contracting parties, the literal meaning of the contract provisions shall control.[14] Its meaning should be determined without reference to extrinsic facts or aids. The intention of the parties must be gathered from that language, and from that language alone. Stated differently, where the language of a written contract is clear and unambiguous, the contract must be taken to mean that which, on its face, it purports to mean, unless some good reason can be assigned to show that the words should be understood in a different sense. Courts cannot make for the parties better or more equitable agreements than they themselves have been satisfied to make, or rewrite contracts because they operate harshly or inequitably as to one of the parties, or alter them for the benefit of one party and to the detriment of the other, or by construction, relieve one of the parties from the terms which he voluntarily consented to, or impose on him those which he did not.[15]

That respondent sold the subject stall for P20,000.00 to petitioners was admitted by respondent in his Answer,[16] although he averred that the sale was with a right to repurchase. Even the testimony[17] of respondent points to no other transaction than a sale in favor of petitioners. The CA, therefore, committed a serious blunder in making a new contract for the parties, and declaring the Deed of Assignment as a contract of loan with mortgage.

Indubitably, the transaction between petitioners and respondent was a sale. As such, under ordinary circumstances, petitioners could recover possession of the property from respondent. Unfortunately in this case, the Court cannot grant petitioners the relief that they are praying for - recovery of possession of the subject stall.

The records show that Market Stall No. CTD 1583 is owned by the City Government of Marawi. Indeed, the RTC and the CA correctly held that it was the City Government of Marawi, not respondent, that owned Market Stall No. CTD 1583. Respondent, as a mere grantee of the subject stall, was prohibited from selling, donating, or otherwise alienating the same without the consent of the City Government; violation of the condition shall automatically render the sale, donation, or alienation null and void.[18] Thus, we sustain the CA in declaring the Deed of Assignment null and void, but we cannot abide by the CA's final disposition.

A void contract is equivalent to nothing; it produces no civil effect. It does not create, modify, or extinguish a juridical relation. Parties to a void agreement cannot expect the aid of the law; the courts leave them as they are, because they are deemed in *pari delicto* or in equal fault.[19] To this rule, however, there are exceptions that permit the return of that which may have been given under a void contract. One of the exceptions is found in Article 1412 of the Civil Code, which states:

Art. 1412. If the act in which the unlawful or forbidden cause consists does not constitute a criminal offense, the following rules shall be observed:

(1)

When the fault is on the part of both contracting parties, neither may recover what he has given by virtue of the contract, or demand the performance of the other's undertaking;

(2)

When only one of the contracting parties is at fault, he cannot recover what he has given by reason of the contract, or ask for the fulfillment of what has been promised him. The other, who is not at fault, may demand the return of what he has given without any obligation to comply with his promise.

Respondent was well aware that as mere grantee of the subject stall, he cannot sell it without the consent of the City Government of Marawi. Yet, he sold the same to petitioners. The records, however, are bereft of any

allegation and proof that petitioners had actual knowledge of the status of respondent's ownership of the subject stall. Petitioners can, therefore, recover the amount they had given under the contract.

In *Cavite Development Bank v. Spouses Lim*,^[20] and *Castillo, et al. v. Abalayan*,^[21] we held that in case of a void sale, the seller has no right whatsoever to keep the money paid by virtue thereof, and should refund it, with interest at the legal rate, computed from the date of filing of the complaint until fully paid. Petitioners can, therefore, recover the amount of P20,000.00 from respondent with interest at 6% per annum from the time of the filing of the complaint until the finality of this Decision, and 12% per annum thereafter until full payment.

WHEREFORE, the petition is **PARTLY GRANTED**. The April 28, 2006 Decision and August 28, 2007 Resolution of the Court of Appeals in CA G.R. CV No. 75765 are **AFFIRMED with MODIFICATION**. The Deed of Assignment dated December 10, 1985 is declared **VOID AB INITIO**. Respondent Hadji Abubacar Maruhom is ordered to return to petitioners Hadja Fatima Gaguil Magoyag and Hadji Hasan Madlawi Magoyag the amount of P20,000.00 with interest at 6% per annum from the time of the filing of the complaint until the finality of this Decision and 12% per annum thereafter until full payment.

No pronouncement as to costs.

SO ORDERED.

Carpio, (Chairperson), Peralta, Abad, and Mendoza, JJ., concur.

[1] Penned by Associate Justice Edgardo A. Camello, with Associate Justices Normandie B. Pizarro and Ricardo R. Rosario, concurring; rollo, pp. 33-44.

[2] *Id.* at 45-46.

[3] See Exhibit "1", record, p. 207.

[4] Exhibit "A", *id.* at 131-132.

[5] *Id.* at 1-5.

[6] *Id.* at 14-17.

[7] *Id.* at 245-252.

[8] *Id.* at 251.

[9] *Id.* at 251-252.

[10] Rollo, at 43.

[11] *Id.* at 45.

[12] *Id.* at 40.

[13] *Supra* note 3, at 131-132.

[14] *Continental Cement Corp. v. Filipinas (PREFAB) Systems, Inc.*, G.R. No. 176917, August 4, 2009, 595 SCRA 215, 225.

[15] *Benguet Corporation v. Cabildo*, G.R. No. 151402. August 22, 2008, 563 SCRA 25, 38.

[16] See Answer, record, p. 14.

[17] TSN, August 16, 2000 and March 6, 2001.

[18] Supra note 3.

[19] *Menchavez v. Teves, Jr.*, 490 Phil. 268, 280 (2005).

[20] 381 Phil 355, 371 (2000).

[21] 141 Phil. 57, 63 (1969).

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