SPS. FELIPE AND JOSEFA PARINGIT, PETITIONER, VS. MARCIANA PARINGIT BAJIT, ADOLIO PARINGIT AND ROSARIO PARINGIT ORDOÑO, RESPONDENTS.

G.R. No. 181844. September 29, 2010

Ponente: ABAD, J.

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ABAD, J.:

This case is about the existence of an implied trust in a transaction where a property was bought by one sibling supposedly for the benefit of all. The other siblings now want to recover their share in the property by reimbursing their brother for their share in the purchase price.

The Facts and the Case

During their lifetime, spouses Julian and Aurelia Paringit leased a lot on Norma Street, Sampaloc, Manila (the lot) from Terocel Realty, Inc. (Terocel Realty).[1] They built their home there and raised five children, namely, Florencio, Felipe, Marciana, Adolio, and Rosario.[2] Aurelia died on November 6, 1972.[3]

For having occupied the lot for years, Terocel Realty offered to sell it to Julian but he did not have enough money at that time to meet the payment deadline. Julian sought the help of his children so he can buy the property but only his son Felipe and wife Josefa had the financial resources he needed at that time.[4] To bring about the purchase, on January 16, 1984 Julian executed a deed of assignment of leasehold right in favor of Felipe and his wife that would enable them to acquire the lot.[5] On January 30, 1984 the latter bought the same from Terocel Realty for P55,500.00 to be paid in installments.[6] On April 12, 1984 Felipe and his wife paid the last installment and the realty company executed a Deed of Absolute Sale in their favor and turned over the title to them.[7]

On February 25, 1985, due to issues among Julian's children regarding the ownership of the lot, Julian executed an affidavit clarifying the nature of Felipe and his wife's purchase of the lot. He claimed that it was bought for the benefit of all his children.[8] He said in his affidavit:

> 3. That recently, the Terocel Realty, Inc., owners of the subdivision lots in Sampaloc, gave a limited period to actual occupants like us within which to purchase the lands occupied and as I had no funds at that time, I asked all my children and their respective spouses to contribute money with which to purchase the lot and thereafter to divide the lot among themselves but only my son Felipe Paringit and his wife Josefa answered my plea and so, in order that they could purchase the land, I assigned to my son and his wife my right to the whole property and with this assignment, the couple purchased the parcel of land from the Terocel Realty, Inc. for the sum of Fifty Five Thousand Five Hundred Pesos (P55,500.00) Philippine currency on April 12, 1984 as shown in the Deed of Absolute sale executed by the Terocel Realty, Inc. bearing Registry No. 273, Page 56, Book XV, Series of 1984, of Notary Public of Manila, Atty. Albino B. Achas plus the sum of P4,500.00 expenses or a total of Sixty Thousand (P60,000.00);
>
> x x x x

> 5. That to set the records straight, and to effect peace and understanding among my children and their respective families, I, as father and head of the family, hereby declare:
>
> x x x x
>
> c) That my conjugal share in the above described property is one half or 75 sq. m. and the other half or 75 sq. m. belongs to my deceased wife;
>
> d) That I waive my share in the estate of my deceased wife and as she has no will regarding the said estate, the same must be divided equally among my five children at 15 sq. m. each; but each of them should reimburse their brother Felipe and his wife, Josefa the proportional amount advanced by them as I also will reimburse him the sum of P30,000.00 or one half of the amount that the couple advanced.
>
> e) That if any of my children claims or needs a bigger area than 15 sq. m., he/she should amicably talk with or negotiate with any other brother or sister for transfer or assignment of such area as they agree.[9]

Expressing their concurrence with what their father said in his affidavit, Felipe's siblings, namely, Marciana, Rosario, and Adolio (collectively, Marciana, et al) signed the same. Josefa, Felipe's wife, also signed the affidavit for Felipe who was in Saudi Arabia.[10] Only Florencio, among the siblings, did not sign.

On January 23, 1987 Felipe and his wife registered their purchase of the lot,[11] resulting in the issuance of Transfer Certificate of Title 172313 in their names.[12] Despite the title, however, the spouses moved to another house on the same street in 1988.[13] Marciana, et al, on the other hand, continued to occupy the lot with their families without paying rent.[14] This was the situation when their father Julian died on December 21, 1994.

On December 18, 1995 Felipe and his wife sent a demand letter to Marciana, et al asking them to pay rental arrearages for occupying the property from March 1990 to December 1995 at the rate of P2,400.00 a month, totaling P168,000.00.[15] Marciana, et al refused to pay or reply to the letter, believing that they had the right to occupy the house and lot, it being their inheritance from their parents. On March 11, 1996 Felipe and his wife filed an ejectment suit against them.[16] The suit prospered, resulting in the ejectment of Marciana, et al and their families from the property.[17] Shortly after, Felipe and his wife moved into the same.[18]

To vindicate what they regarded as their right to the lot and the house, on July 24, 1996 Marciana, et al filed the present action against Felipe and his wife for annulment of title and reconveyance of property before the Regional Trial Court (RTC) of Manila, Branch 39.[19]

In his answer, Felipe denied knowledge of the agreement among the siblings that the property would devolve to them all.[20] Josefa, his wife, claimed that she signed the affidavit only because Marciana, et al were going to get mad at her had she refused.[21] She also claimed that she signed the document only to prove having received it.[22]

For their part, Marciana, et al insisted that the agreement was that Felipe and his wife would acquire the lot for the benefit of all the siblings. They even tried to reimburse the spouses for their shares in the lot's price.[23] In fact, Adolio offered to pay P32,000.00 for his 30 square meter-portion of the lot but Felipe and his wife did not accept it. The other siblings tried to pay for their shares of the purchase price, too, but the spouses already avoided them.[24] Marciana, et al denied pressuring Josefa into signing the document in question. They claimed that it was in fact Josefa who caused the drafting of the affidavit.[25]

On July 21, 2004 the RTC rendered a decision, finding the evidence of Marciana, et al insufficient to prove by preponderance of evidence that Felipe and his wife bought the subject lot for all of the siblings. Not satisfied with that decision, Marciana, et al appealed to the Court of Appeals (CA).

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On August 29, 2007 the CA rendered judgment[26] reversing the decision of the RTC and ordering Felipe and his wife to reconvey to Marciana, et al their proportionate share in the lot upon reimbursement of what the spouses paid to acquire it plus legal interest. Felipe and his wife filed a motion for reconsideration of the decision but the CA denied it on February 21, 2008,[27] prompting them to come to this Court on a petition for review.

The Issues Presented

This case presents the following issues:

1. Whether or not the CA erred in finding that Felipe and his wife purchased the subject lot under an implied trust for the benefit of all the children of Julian; and

2. Whether or not the CA erred in failing to hold that Marciana, et al's right of action was barred by prescription or laches.

The Court's Rulings

The CA found that Felipe and his wife's purchase of the lot falls under the rubric of the implied trust provided in Article 1450 of the Civil Code.[28] Implied trust under Article 1450 presupposes a situation where a person, using his own funds, buys property on behalf of another, who in the meantime may not have the funds to purchase it. Title to the property is for the time being placed in the name of the trustee, the person who pays for it, until he is reimbursed by the beneficiary, the person for whom the trustee bought the land. It is only after the beneficiary reimburses the trustee of the purchase price that the former can compel conveyance of the property from the latter.[29]

Felipe and his wife claim 1) that they did not lend money to Marciana, et al for the purchase of the lot; 2) that they did not buy it for the benefit of the siblings; and 3) that the conveyance of the lot was not to secure the payment of any supposed loan. Felipe and his wife insist that they had no agreement with Marciana, et al regarding the spouses' purchase of the lot for the benefit of all of Julian's children.

But the circumstances of this case are actually what implied trust is about. Although no express agreement covered Felipe and his wife's purchase of the lot for the siblings and their father, it came about by operation of law and is protected by it. The nature of the transaction established the implied trust and this in turn gave rise to the rights and obligations provided by law. Implied trust is a rule of equity, independent of the particular intention of the parties.[30]

Here, the evidence shows that Felipe and his wife bought the lot for the benefit of Julian and his children, rather than for themselves. Thus:

First. There is no question that the house originally belonged to Julian and Aurelia who built it. When Aurelia died, Julian and his children inherited her conjugal share of the house. When Terocel Realty, therefore, granted its long time tenants on Norma Street the right to acquire the lots on which their house stood, that right technically belonged to Julian and all his children. If Julian really intended to sell the entire house and assign the right to acquire the lot to Felipe and his wife, he would have arranged for Felipe's other siblings to give their conformity as co-owners to such sale. And if Felipe and his wife intended to buy the lot for themselves, they would have, knowing that Felipe's siblings co-owned the same, taken steps to secure their conformity to the purchase. These did not happen.

Second. Julian said in his affidavit that Felipe and his wife bought the lot from Terocel Realty on his behalf and on behalf of his other children. Felipe and his wife advanced the payment because Julian and his other children did not then have the money needed to meet the realty company's deadline for the purchase. Julian added that his

other children were to reimburse Felipe for the money he advanced for them.

Notably, Felipe, acting through his wife, countersigned Julian's affidavit the way his siblings did. The document expressly acknowledged the parties' intention to establish an implied trust between Felipe and his wife, as trustees, and Julian and the other children as trustors. Josefa, Felipe's wife, of course claims that she signed the document only to show that she received a copy of it. But her signature did not indicate that fact. She signed the document in the manner of the others.

Third. If Felipe and his wife really believed that the assignment of the house and the right to buy the lot were what their transactions with Julian were and if the spouses also believed that they became absolute owners of the same when they paid for the lot and had the title to it transferred in their name in 1987, then their moving out of the house in 1988 and letting Marciana, et al continue to occupy the house did not make sense. They would make sense only if, as Marciana, et al and their deceased father claimed, Felipe and his wife actually acquired the lot only in trust for Julian and all the children.

Fourth. Felipe and his wife demanded rent from Marciana, et al only on December 18, 1995, a year following Julian's death on December 21, 1994. This shows that from 1984 when they bought the lot to December 18, 1995, when they made their demand on the occupants to leave, or for over 10 years, Felipe and his wife respected the right of the siblings to reside on the property. This is incompatible with their claim that they bought the house and lot for themselves back in 1984. Until they filed the suit, they did nothing to assert their supposed ownership of the house and lot.

Felipe and his wife also claim that Marciana, et al's action to recover their portions of the house and lot had already prescribed. True, an implied trust prescribes within 10 years from the time the right of action accrues.[31] But when did the right of action based on the implied trust accrue in this case? A right of action implies the existence of a cause of action and a cause of action has three elements: a) the existence of a right in plaintiff's favor; b) defendant's obligation to respect such right; and c) defendant's act or omission that violates the plaintiff's right. Only when the last element occurs or takes place can it be said in law that a cause of action has arisen.[32]

In an implied trust, the beneficiary's cause of action arises when the trustee repudiates the trust, not when the trust was created as Felipe and his wife would have it.[33] The spouses of course registered the lot in their names in January 1987 but they could not be said to have repudiated the implied trust by that registration. Their purchase of the land and registration of its title in their names are not incompatible with implied trust. It was understood that they did this for the benefit of Julian and all the children.

At any rate, even assuming that Felipe and his wife's registration of the lot in their names in January 1987 constituted a hostile act or a violation of the implied trust, Marciana, et al had 10 years or until January of 1997 within which to bring their action. Here, they filed such action in July 1996 well within the period allowed them.

Felipe and his wife also claim that Marciana, et al's action was barred by laches. But there is no basis for such claim. Laches has been defined as the failure or neglect, for an unreasonable and unexplained length of time, to do that which, by exercising due diligence could or should have been done earlier.[34]

Here, Marciana, et al had no reason to file an earlier suit against Felipe and his wife since the latter had not bothered them despite their purchase of the lot in their names on January 30, 1984. Only about 12 years later or on December 18, 1995 when they wrote their demand letter did the spouses take an adverse attitude against Marciana, et al. The latter filed their action to annul Felipe and his wife's title and have the same transferred to their names not too long later on July 24, 1996.

Finally, the CA ordered Marciana, et al to reimburse Felipe and his wife the individual siblings' proportionate

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share in the P55,500.00 that the spouses paid the realty company. But, according to Julian's affidavit, concurred in by Felipe, his wife, and Marciana, et al, the total acquisition cost of the lot was P60,000.00 (purchase price of P55,500.00 plus additional expenses of P4,500.00). Thus, respondents should reimburse petitioners their proportionate contribution in the total acquisition cost of P60,000.00.

WHEREFORE, the Court DENIES the petition, and AFFIRMS the decision of the Court of Appeals in CA-G.R. CV 84792 with the MODIFICATION that respondents Marciana Paringit Bajit, Adolio Paringit, and Rosario Paringit Ordoño reimburse petitioners Felipe and Josefa Paringit of their corresponding share in the purchase price plus expenses advanced by petitioners amounting to P60,000.00 with legal interest from April 12, 1984 until fully paid.

SO ORDERED.

Carpio, Nachura, Peralta, and Mendoza, JJ., concur.

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[1] TSN, March 7, 1997, p. 7.

[2] Records, p. 1.

[3] Id. at 7.

[4] TSN, March 7, 1997, p. 8.

[5] Records, p. 8.

[6] Deed of Sale, id. at 9.

[7] TSN, January 11, 2001, p. 14; records, p. 280.

[8] TSN, March 7, 1997, p. 12.

[9] Records, pp. 12-13.

[10] TSN, September 30, 1997, p. 21; TSN, November 11, 1997, pp. 7-8; records p. 14.

[11] TSN, January 11, 2001, p. 15.

[12] Records, p. 10.

[13] TSN, April 25, 1997, p. 3.

[14] Id. at 13.

[15] Records, p. 291.

[16] TSN, September 12, 1997 p. 16; TSN, September 30, 1997, p. 21.

[17] TSN, November 11, 1997, p. 10; TSN, March 7, 1997, p. 5.

[18] TSN, April 25, 1997, p. 3.

[19] Records, p. 1.

[20] TSN, February 17, 2003, pp. 10-11; TSN, November 27, 2003 pp. 5-6.

[21] TSN, July 14, 2003, p. 6.

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[22] TSN, September 22, 2003, p. 6.

[23] TSN, April 25, 1997, p. 14.

[24] TSN, November 12, 1999, pp. 15-22.

[25] TSN, November 27, 2003, pp. 4-5.

[26] Rollo, pp. 16-26.

[27] Id. at 28.

[28] If the price of a sale of property is loaned or paid by one person for the benefit of another and the conveyance is made to the lender or payor to secure the payment of the debt, a trust arises by operation of law in favor of the person whom the money is loaned or for whom it is paid. The latter may redeem the property and compel a conveyance thereof to him.

[29] Nakpil v. Intermediate Appellate Court, G.R. No. 74449, August 20, 1993, 225 SCRA 456, 464.

[30] Id.

[31] CIVIL CODE, Art. 1144.

[32] Español v. The Chairman & Members of the Board of Administrators, Philippine Veterans Administration, 221 Phil. 667, 670 (1985).

[33] Nakpil v. Intermediate Appellate Court, supra note 29, at 465-466.

[34] Heirs of Anacleto B. Nieto v. Municipality of Meycauayan, Bulacan, G.R. No. 150654, December 13, 2007, 540 SCRA 100, 106.

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