

SEVERINO JAYME AND LEONARDA RAMOS, PLAINTIFFS AND APPELLEES, VS. JUAN D. SALVADOR ET AL., DEFENDANTS AND APPELLANTS.

G.R. No. 32471, December 29, 1930

Ponente: ROMUALDEZ, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-32471/>

ROMUALDEZ, J.:

body { font-family: Verdana, Geneva, Arial, helvetica, sans-serif; font-size:80%; background-color:#FFFFFF; margin:0 2% 0 2%; text-align: justify; } h1 { font-family:times; } h2 { background-color:#cccccc; padding:10px 0 10px 0; font-weight: bold; text-align: center; } h3 { font-weight: bold; text-transform: uppercase; text-align: center; } div#footer { font-size:9px; }

The dispositive part of the judgment appealed from is as follows:

"Wherefore, let judgment be entered as follows:

"(a) Holding the deeds Exhibits D, E, F, and G to be null and void and without effect;

"(b) Ordering the cancellation of the transfer certificates of title Exhibits 9 and 18, and the issuance by the registrar of deeds of Iloilo of new transfer certificates of title to the land or hacienda in Supang, municipality of Buenavista, in the name of Leonarda Ramos, married to Severino Jayme, and of lot 69-C of the cadastral survey of Iloilo in the name of Juan D. Salvador, married to Remigia Zuñiga;

"(c) Holding the portion of the mortgage deed Exhibit 24 referring to the estate in Supang, municipality of Buenavista, with an area of 330.8733 hectares to be null and void;

"(d) Sentencing the plaintiff spouses to pay the defendant spouses the amount of eighteen thousand pesos (P18,000) which is the principal loaned, plus two thousand one hundred sixty pesos (P2,160), one year's interest thereon at twelve per centum (12%);

"(e) Sentencing the plaintiffs to pay the defendants Juan D. Salvador and Remigia Zuñiga the sum of three hundred eighty three pesos and forty-six centavos (P383.46) ;

"(f) The mortgage evidenced by Exhibit 24 being held null and void in so far as it refers to the estate of 330.8733 hectares in Supang, the defendant spouses Juan D. Salvador and Remigia Zuñiga are hereby sentenced to pay the Philippine National Bank the sum of twenty thousand pesos (P20,000) with interest thereon at nine per centum (9%) from the date of the contract, November 12, 1928, until fully paid;

" (g) Absolving the plaintiffs from the counterclaim and the cross-complaint set up by defendants Juan D. Salvador and Remigia Zuñiga.

"Without express pronouncement of costs. So ordered." (Pages 57 and 58, Bill of Exceptions.)

From this judgment an appeal was taken by the Philippine National Bank, and by the spouses Juan D. Salvador and Remigia Zuñiga.

The appellants Juan D. Salvador and wife made the following assignments of error:

"1. In not holding that Exhibit D of the plaintiffs, or Exhibit 11 of the defendants, is a real contract of final sale.

"2. In not holding that Exhibit E of the plaintiffs or Exhibit 12 of the defendants is another actual contract of final sale.

"3. In not holding that Exhibit F of the plaintiffs or Exhibit 14 of the defendants is an actual contract of lease.

"4. In not holding that Exhibit G of the plaintiffs or Exhibit 13 of the defendants is an actual option to purchase.

"5. In declaring said contracts Exhibits D, E, F, and G of the plaintiffs or Exhibits 11, 12, 14, and 18, of the defendants, respectively, to be null and void, and without effect.

"6. In ordering that the defendants Juan D. Salvador and Remigia Zuñiga receive from the plaintiffs the sum of P18,000 only, with interest at twelve per cent per annum.

"7. In not sentencing the plaintiffs to pay the defendant spouses Juan D. Salvador and Remigia Zuñiga the sum of P6,240 as rental for the land leased by said plaintiffs from said defendants, during the first two years of the lease, with interest thereon.

"8. In not sentencing the plaintiffs to pay the defendant spouses Juan D. Salvador and Remigia Zuñiga the sum of P5,000 by way of liquidated damages.

"9. In not holding that the contract of lease evidenced by Exhibit F of the plaintiffs or Exhibit 14 of the defendants has been rescinded; and in. not compelling said plaintiffs to deliver to the defendant spouses Juan D. Salvador and Remigia Zuñiga the possession of the land leased by them, with all the seeds and products.

"10. In not holding that the option to purchase evidenced by Exhibit G of the plaintiffs or Exhibit 13 of the defendants has been rescinded and ceased to exist." The Philippine National Bank makes the following assignments of error:

"1. In holding that the deed of sale of the Supang estate executed on May 22, 1928, by the spouses Severino Jayme and Leonarda Ramos in favor of the spouses Juan D. Salvador and Remigia Zuñiga is null and void on account of fraud.

"2. In holding that the mortgage deed upon the Supang estate executed on November 12, 1928, by the spouses Juan D. Salvador and Remigia Zuñiga in favor of the Philippine National Bank is null and void; and

"3. In not absolving the Philippine National Bank from the complaint, with costs against the plaintiffs."

The facts of the case as shown by the evidence are as follows:

The plaintiff spouses owed Presentacion Hofileña de Evangelista P14,381.13, with interest at 12 per cent per annum, payment of which was secured by a mortgage upon the realty covered by transfer certificate of title No. 2336. Upon being pressed for payment, said plaintiffs, through broker Abaya went to the defendant herein, Juan D. Salvador, from whom they obtained a loan of P18,000 on condition that their realty referred to above should appear to have been sold to the defendants for P26,000 (Exhibit D), the plaintiffs would purchase of the defendants lot No. 69-C of the cadastre of Iloilo for P8,000 (Exhibit E), and said plaintiffs would further appear as lessees of said Supang estate at an annual rental of P3,120 (Exhibit F), although in reality such conveyance of the land was not the real intention of the parties and the aforesaid rental of P3,120 was no such rent, but the interest thus cloaked, at 12 per cent per annum on the sum of P26,000 stated as the selling price of the said estate.

It was agreed between the parties that the plaintiffs could repurchase said estate by returning the principal loaned and the interest thereon, and for this purpose the option, Exhibit G, was executed, the defendants agreeing to accept the return of said lot No. 69-C. The amount of P26,000 was represented in these transactions by two checks, one for P18,000 (Exhibit 1) and the other for P8,000 (Exhibit 2). Immediately upon receipt of the latter check by the plaintiffs, upon instructions from the defendant Salvador, they endorsed it and returned it to the defendants to pass for the price of said lot No. 69-C.

The check Exhibit 1 for the amount of P18,000 finally reached the hands of the plaintiffs who deposited it in the National Bank (Exhibit N).

The plaintiff Severino Jayme then paid his debt to Presentacion Hofileña de Evangelista, and in consequence the mortgage upon said Supang estate was cancelled.

A few days later, the plaintiff Severino Jayme asked the defendant Juan D. Salvador to increase the loan. The latter answered, he had no money, and suggested that he secure a loan from somebody else upon the security of lot 69-C, for which reason Severino Jayme obtained a transfer certificate to said lot in his name, and mortgaged it to Go Tiang Tin for a loan of P600, and another of P320 in favor of said Severino Jayme (Exhibits 4 and 5). These loans were later paid, the mortgage upon lot No. 69-C being cancelled (Exhibit CC).

Having obtained the transfer certificate of title No. 6212 to the estate referred to (Exhibit 18), on November 12, 1928, the defendants succeeded in obtaining a loan of P20,000 from the Philippine National Bank, mortgaging said estate.

Some months later, having obtained the loan of P22,000 from Vicente Lopez, the plaintiff offered to pay the defendant Juan D. Salvador his debt of P18,000, plus the interest amounting to P3,120. Said defendant refused to accept it, claiming that the sum due from Severino Jayme was P29,320. As the latter would not admit said claim, he brought this action, depositing with the clerk of the court below the amount of P6,240 on May 22, 1928 (Exhibit AA), representing the rental for two years.

To prove the first six errors, the defendants contend that the plaintiffs voluntarily and definitely entered into the aforementioned contracts according to their proper deeds, and, furthermore, conveyed to the defendant Juan D. Salvador 80 hectares of land in payment of the rental of the Supang estate leased to them; that on September 11, 1928, the defendants together with the plaintiffs made a donation to the municipality of Buenavista of 25,000 square meters of the land in Supang, evidenced by Exhibit 7; that the defendants conveyed to said municipality the use of the house located thereon, and that the plaintiffs acquiesced therein, and that the defendant Salvador paid the land tax upon the estate in Supang for the years 1928 and 1929.

The defendants contend that inasmuch as the plaintiffs read all said contracts and with full knowledge of the contents and conditions thereof signed Exhibits D and E, which are deeds of final sale, as well as Exhibit F, which is a contract of lease, we must take these documents literally, since they are set forth in clear terms and leave no room for doubt as to the intention of the contracting parties, citing, in support thereof, articles 1281 and 1283 of the Civil Code, and the decision in Tolentino and Manio vs. Gonzalez. Sy Chiam (50 Phil., 558). With respect to the real intention of the parties in executing said contracts, the defendants invoke the testimony of broker Abaya, witness for the plaintiffs. The defendants do not deny that the plaintiffs' first intention was to obtain from them a loan secured by a mortgage upon said estate; but they allege that they rejected the proposal and in turn proposed to the plaintiffs the purchase of said estate, which was agreed to by the plaintiffs; the defendants also attempt to show the validity of said contracts by the plaintiffs' subsequent acts in paying the land tax of the Tansa lot bought by them from the defendants; and in mortgaging said lot several times in favor of Go Julian. The defendants argue that these acts performed at the time of the contract and subsequent thereto indicate, according to article 1282 of

the Civil Code, the intention of the plaintiffs. Among the acts performed by the plaintiffs subsequent to the contract, the defendants point out those evidenced by Exhibits 3, 4, 5, 6, 7, and 8, which the defendants contend amount to a ratification of the contracts set forth in Exhibits D, E, F, and G, a ratification which, according to article 1313 of the Civil Code, purges these contracts of all defects to which they may have been subject.

After examining the record, we have reached the conclusion that the transactions alluded to between the plaintiffs and the defendants constitute a loan of P18,000 granted by the latter to the former with interest at 12 per cent per annum. We agree with the court below, that the plaintiffs did not intend to sell their Supang estate. It is true that the plaintiffs were aware of the contents of the contracts, but the preponderance of the evidence shows that they signed them knowing that said contracts did not express their real intention, and if they did so notwithstanding this, it was due to the urgent necessity of obtaining funds. Therefore article 1282 of the Civil Code and those cognate thereto cannot be applied to the case before us, where it sufficiently appears that what the parties really intended was different from what appears in said contracts.

Plaintiff Severino Jayme paid the land tax upon the Tansa lot, according to him, with money furnished him, by the defendant Juan D. Salvador.

As to the mortgage of the Tansa lot, we here quote and adopt the findings of the lower court, being supported by the evidence of record:

"Exhibit 6, executed on September 5, 1928, shows that the mortgage of lot 69-C to Go Julian or Go Tiang Tin was made, not only with the knowledge of the defendant Juan D. Salvador, but at his suggestion, as testified by the plaintiff Severino Jayme (pages 97 and 98, s. n.), for, as said lot 69-C appeared as security of the payment of the yearly rental of the contract of lease, Exhibit F, and in order that said lot 69-C might appear to be free and unencumbered on being mortgaged to Go Tiang Tin or Go Julian, the defendant Juan D. Salvador, through said Exhibit 6, succeeded in making plaintiff Severino Jayme substitute the lot 69-C for his other land located in Bamban, San Pedro, municipality of Buenavista, with an area of 83.3156 hectares, to secure the payment of the yearly rental of said contract of lease Exhibit F." (Pages 38 and 39, Bill of Exceptions.)

With respect to the donation of the 25,000 square meters of land in Supang in favor of the municipality of Buenavista, the evidence shows that said gift was an offer made by the plaintiffs in exchange of the condition that the residential part of the municipality of Buenavista should be transferred to the barrio of Supang, where said estate of the plaintiffs is situated; the latter having promised said municipality before May 22, 1928, that when said transactions took place with the defendants, they would convey a part of said estate gratis, as also the use of the building of strong materials located thereon; and this donation and cession was respected by the defendants, being the ones who executed Exhibits 7 and 8, in compliance with a promise not made by them, but by the plaintiffs, this act of theirs constituting an open acknowledgment of the fact that said estate belonged to said plaintiffs.

This latter is one of the most salient facts showing that the real intention of both parties in executing the principal contracts referred to heretofore, was that of a loan granted by the defendants to the plaintiffs in the amount of P18,000 with interest thereon at 12 per cent per annum, secured by a mortgage on said estate situated in Supang. Among these circumstances may be mentioned the assessed value of the land, which, even taking that of P19,920 in May, 1928, is already greater than the P18,000 received by the plaintiffs. The fact that upon the same date were executed the sale of the said Supang estate (Exhibit D), the option in favor of the plaintiffs to repurchase said estate (Exhibit G), the lease of said estate in favor of said plaintiffs (Exhibit F), and the transfer of the lot in Tansa (Exhibit E), in exchange of the endorsement or return to the defendant Salvador of his check for P8,000 (Exhibit 2), taken together with the remainder of the circumstances of the case, corroborate and strengthen the conclusion set forth above.

The Philippine National Bank impugns the judgment appealed from in so far as it holds that the deed of sale of the Supang estate is null and void on account of fraud. By virtue of the foregoing, it is held that the court below committed no such error.

In its second assignment of error the bank refers to the mortgage deed upon the said estate, executed in its favor.

There is some merit in this allegation of the bank's although said mortgage ought not to appear in the transfer certificate of title issued to the defendants (which certificate is void and must be cancelled), but in the former certificate issued in favor of the plaintiffs.

This mortgage must be respected as a whole because the Philippine National Bank in the case before us is an innocent creditor perfectly entitled to believe the apparent validity of the transfer certificate of title presented to it by the defendants. And for the same reason, the whole P20,000 must be noted as a mortgage upon said estate because as to the plaintiffs, although it is true that their debt to the defendants only amounts to P18,000, nevertheless as between said plaintiffs and the bank, the latter's right must be deemed preferential, said entity being entirely innocent, whereas the plaintiffs, having signed the fictitious transfer of said estate to the defendants, though compelled thereto by necessity, have, under the circumstances, made it possible that said transfer certificate of title should be issued in the name of the defendants, thereby cooperating in inducing the Philippine National Bank to believe in the validity and enforceability of said certificate of title.

The third error assigned by the bank is a consequence of the preceding ones.

By virtue of the foregoing considerations, the judgment appealed from is modified as follows:

- (1) The deeds Exhibits D, E, F, and G, are hereby held null and void;
- (2) It is ordered that transfer certificates of title Exhibits 9 and 18 be cancelled and that the registrar of deeds of Iloilo issue to Juan D. Salvador, married to Remigia Zuñiga, a new transfer certificate of title to lot 69-C of the Iloilo cadastre, and to Leonarda Ramos, married to Severino Jayme, a new transfer certificate of title to the land or estate in Supang, according to the result after the donation and conveyance appearing in Exhibits 7 and 8 in this case, and noting in said new transfer certificate of title to the land or estate in Supang, a mortgage in favor of the Philippine National Bank to answer for the payment of the sum of P20,000 subject to the conditions stipulated in the deed, Exhibit 24, with the understanding that the mortgagors are the plaintiffs herein;
- (3) The plaintiffs are hereby sentenced to pay the Philippine National Bank the sum of P18,000 (which they received from the defendants), plus P2,160 (interest thereon), taking the total, or P20,000 as the payment of the principal owed to the bank aforesaid by the defendants, and the P160 remaining on account of the interest on said P20,000 in accordance with the mortgage deed, Exhibit 24;
- (4) The defendants are hereby sentenced to reimburse the plaintiffs for any amount which the latter may have to pay to the Philippine National Bank hereafter in order to make up the balance of the interest due upon said P20,000 in accordance with the deed Exhibit 24, deducting from such reimbursement the amount of P383.46 which the plaintiffs were by the judgment appealed from sentenced to pay to the defendants; and
- (5) The judgment appealed from is affirmed as regards the remainder, in so far as not incompatible with this decision.

Without express pronouncement of costs. So ordered.

Johnson, Street, Malcolm, Villamor, Ostrand, Johns and Villa-Real, JJ., concur.

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.