

IN RE INTESTATE ESTATE OF THE DECEASED CONCEPCION GERONA. IGNACIO ARROYO, PETITIONER AND APPELLANT, VS. JACоба GERONA ET AL., CLAIMANTS AND APPELLEES.*G.R. No. 36059, March 31, 1933*

Ponente: STREET, J.

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On June 16, 1927, Concepcion Gerona died in Iloilo, leaving neither ascendants nor descendants. She had suffered from mental alienation from birth, and was at the time of her death under the guardianship of her uncle, Ignacio Arroyo, her only relative on her mother's side. On her paternal side her surviving relatives were her aunts Clara, Ciriaca, Jacoba, and Patricia, sisters of her deceased father, Blas Gerona, together with Maria G. and Blas G., children of Victor Gerona, a deceased brother of the aforesaid aunts. Shortly after the death of Concepcion Gerona her uncle Ignacio secured an order closing the guardianship, and on September 5, 1928, he instituted intestate proceedings to wind up the estate. On October 8, 1928, he was declared the owner of all her property and the proceedings were closed.

On July 9, 1929, Jacoba, Patricia, Ciriaca, and Clara Gerona filed a petition in the cause, asking that two documents, Exhibits A and D, dated respectively June 13, 1913, and September 27, 1928, be annulled, that the order of October 8, 1928, adjudicating the estate to Ignacio Arroyo, be set aside, and that a judicial administrator be appointed to administer the estate. The Court of First Instance of Iloilo, believing that the relief sought could only be obtained in an ordinary civil action, ruled that it was without jurisdiction over the matter, and dismissed the petition: From this order the petitioners appealed, and the order dismissing the petition was here reversed and the cause remanded for further proceedings. (Arroyo vs. Gerona, 54 Phil., 909.) Upon the return of the record to the lower court the petitioners filed an amended petition which differed from the original petition only in the addition of a description of the property. The documents referred to above, Exhibits A and D, are, first, a contract for the distribution of the properties left by the parents of Concepcion Gerona, and, secondly, a ratification of the same contract executed after the death of Concepcion. The effect of said contracts, as they stand, is to deprive the plaintiffs of further participation in the estate of the decedent mentioned. Although the issue which lies at the basis of this controversy is presented in a somewhat anomalous way, the whole question resolves itself in its essence into a contention over the validity of these agreements.

Concepcion Gerona was the daughter of Blas Gerona and Manuela Arroyo, who died in 1895 and 1893, respectively. Concepcion had one brother named Salvador, who died in childhood in 1907, leaving no descendant. Blas Gerona and Manuela Arroyo left a conjugal estate consisting of various parcels of real property, which are the principal object of this controversy. Manuela Arroyo also left paraphernal property, which, however, is not involved in this lawsuit. Blas Gerona left no separate property. When Salvador Gerona died in 1907, his property vested by law in his maternal grandmother, Apolonia Lacson, she being then his only living ascendant.

After the death of Blas Gerona in 1895, his two orphaned children, Salvador and Concepcion, passed into the care

of their grandmother, Apolonia Lacson; but this old lady leaned heavily of course upon her son Ignacio, who naturally acquired and exercised the principal authority in the care of the two minors and of their property. Indeed, he acted during many of the years succeeding the death of their father as a guardian appointed by the family council. Later he was legal guardian of Concepcion.

Apolonia Lacson apparently had no other property than such as she had acquired by inheritance from her grandson Salvador; and when she died on December 25, 1912, the ordinary rules of transmission by descent would have given one-half of this property to Ignacio Arroyo and one-half to Concepcion Gerona. But before Apolonia died she had executed a will, which was duly admitted to probate on February 1, 1913, in the Court of First Instance of Iloilo. By this will the testatrix gave to Concepcion Gerona only a one-sixth part of the property derived from Salvador. The remainder she left to her son Ignacio.

Meanwhile the Gerona kin, captained by Victor Gerona, had become alert to the fact that they would ultimately have an interest in the property that had pertained to their deceased brother Blas. The title to that property was now mainly vested in the demented girl, Concepcion, but it was obvious that she could never personally enjoy more than so much of the income as was necessary to maintain her in an asylum, leaving a residue which, in view of her incapacity, could only accumulate for distant heirs. Now that her grandmother was dead it seemed to the Geronas an opportune time to urge upon Ignacio Arroyo the taking of some step that would enable them to enter to some extent into the enjoyment of their part of the estate. Perhaps the thought occurred to them that, being heirs within the third degree, they were joint reservees with Concepcion Gerona, though, they were not so near as she to the source from which the property had come. It is not necessary for us here to make pronouncement upon that point. Suffice it to say that these heirs, brother and sisters of Blas Gerona, now began to press the desirability of adjusting the claims of the Gerona heirs. Ignacio Arroyo assented to the proposition, and on June 13, 1913, about six months after the death of Apolonia Lacson, a contract of partition, known to the record as Exhibit A, was executed between Ignacio Arroyo, on the one part, and Victor, Jacoba, Clara, Patricia, and Ciriaca Gerona, on the other. In the execution of this agreement Victor Gerona acted for himself, but his four sisters were severally represented by their respective attorneys-in-fact. Thus, Jacoba Gerona was represented by her son, Miguel Gemarino, justice of the peace of Guimbal; Patricia Gerona was represented by Pablo Gemarino, a notary public; Ciriaca Gerona, by her husband Pedro Gayatao; and Clara Gerona, by her husband Benito Garingalao.

The purpose of this agreement, as recited therein, was to enable the parties to arrive at a compromise and amicable settlement regarding the estate left by the spouses Blas Gerona and Manuela Arroyo; and in paragraph 4 it is agreed that certain parcels of land, thirteen in number, situated in Binalbagan, Isabela, and Guimbal, and particularly described in an adjoined list, shall appertain to the five Geronas in common. In paragraph 5 Ignacio Arroyo promises to pay to each of the Geronas the sum of five hundred pesos, as soon as a certain fund should be paid to him by the municipality of Iloilo. These sums were duly paid in proper course to each of them. In addition to the aforesaid obligations Ignacio Arroyo condoned a debt owing by Victor Gerona, as lessee of the Hacienda Manolita, and any debt or debts owing by the same individual to Ignacio Arroyo in any character. Ignacio Arroyo furthermore obligated himself to support and care for Concepcion Gerona with the full dignity of her station and rank. In paragraph 8 of the contract it is stated that the remainder of the estate pertaining to the spouses Blas Gerona and Manuela Arroyo, not specified in the inventory attached to the deed, shall belong to Ignacio Arroyo; "and, therefore, any property, right or interest that the incapacitated Concepcion Gerona may or might have in and to the estate of said spouses shall also belong to Ignacio Arroyo after her death, in virtue and in consideration of these presents and of the obligations by him assumed hereby." Finally, the parties agreed to renounce any claim that they might severally have against each other, with reference to the estate which was the subject of division.

Intrinsically considered, the division thus effected had the merit of being exactly what both the parties desired.

This applies even more particularly to the Geronas than to Ignacio Arroyo. Time, and the changes to be brought about by time, were destined to give a different complexion to the situation, more especially in the feature of the contract now to be mentioned. Among the properties which were assigned to Ignacio Arroyo under this partition were four parcels of farm land amounting to about 1,350 hectares, located in the barrios of Soledad and Camang-camang, in the municipality of Binalbagan, Occidental Negros. This land really comprised three or four different parcels, but they were all commonly thought of as comprising a part of the Hacienda Manolita. This farm had been leased for many years to Victor Gerona, who had gotten along with indifferent success and in the course of time had succeeded in piling up an accumulated indebtedness for rent which remained unpaid in the amount of something like ten thousand pesos when the contract now under consideration was made. In the course of his experience as an unsuccessful farmer Victor Gerona had formed the belief that this land was bewitched,— naive opinion in which Ignacio Arroyo apparently shared. Accordingly in the negotiations leading up to the making of this partition, Victor Gerona insisted that this farm should be assigned to Ignacio Arroyo. Perhaps the latter may have had a little more discerning eye for the possibilities of the future. At any rate Ignacio yielded to the insistence of the Geronas; and in the course of a few years, great things occurred in this region, resulting from the fact that the Binalbagan Sugar Central was built in that municipality, and the resulting development of sugar lands, including the Manolita property, raised the value of the farm into the hundreds of thousands of pesos. Nevertheless eighteen years passed without the Geronas evincing any dissatisfaction with this partition. In the meanwhile, soon after the contract had been made, the Geronas proceeded to partition among themselves the property which had thus been assigned to them in common under the contract; and both the Geronas and Ignacio Arroyo in time procured Torrens titles to the portions respectively assigned to them.

Considered from a legal point of view the contract Exhibit A exhibits the vital defect that it was an agreement for the partition of the estate of a living person, made between those who, in case of death, would be in a position to inherit the estate. It was not a partition planned by the owner for the purpose of dividing his estate properly among his living heirs. It was therefore void under the second paragraph of article 1271 of the Civil Code. In addition to this we have the further fact that the living owner of the estate thus partitioned was a demented woman, to whom at least one of the contracting parties stood in a fiduciary relation.

There was therefore ample basis for the uneasiness which Ignacio Arroyo began to manifest in time with respect to the security of the rights assured to him under this contract. In this connection we find significant an incident that occurred in 1919 in winding up the estate of his mother Apolonia Lacson. Arroyo was the administrator of this estate, but the proceedings had moved along slowly. In 1919 he submitted an inventory of the decedent's estate, and in this inventory the property that had belonged to Blas Gerona and Manuela Arroyo figured as the property of said decedent. In this inventory there was assigned to Concepcion Gerona only that portion of this property which had been bequeathed to her in the will of Apolonia Lacson, namely, a one-sixth interest. But it will be remembered that in the will of Apolonia Lacson she disposed only of the property which she had acquired from her grandson Salvador Gerona. In other words the valuable interest which Concepcion Gerona had inherited from her parents was conducted into the estate of Apolonia Lacson. By this device half of the property left by Blas Gerona and Manuela Arroyo was made to disappear apparently from the thought of man.

Then, in order to get the court to approve the settlement based upon the aforesaid inventory, Arroyo procured one Mauro Ditching to be appointed guardian ad litem for Concepcion Gerona. Ditching, as such guardian, formally receipted for the share pertaining to his demented ward, and immediately resigned. Ignacio Arroyo then qualified as her legal guardian and he continued to discharge this office until her death. It will be noted that none of the Geronas were parties to the consummation of this device, and of course they were not bound by the decree. Furthermore, the trick was in law ineffectual as against Concepcion Gerona because of the confidential relations that existed between her and her uncle.

As already stated, Concepcion Gerona died on June 16, 1927, a circumstance which served to precipitate the controversy which has resulted. To Arroyo the problem presented was to obtain a ratification or confirmation of the contract Exhibit A. This matter was accordingly taken up, and on September 27, 1928, the contract (Exhibit D) was entered into between Arroyo and the Gerona sisters. Victor Gerona being now dead, his interest in the estate had descended to his two children, Blas G. and Maria G. Gerona. This interest, it is important to note, is not involved in the present lawsuit, as the two heirs mentioned have been content, upon the payment of an independent consideration, to acquiesce in the contract of June 13, 1913 (Exhibit A). We are therefore concerned in the situation solely as it affects the Gerona sisters.

When the suggestion for the ratification of the original agreement was first raised by Ignacio Arroyo, the Geronas showed no enthusiasm about the matter; and their reason was that they feared that Ignacio Arroyo was setting afoot some scheme to disturb them in the benefits that they had received under the contract Exhibit A. They were far from being dissatisfied with that contract and were determined to hold to what they had gotten. Nevertheless, when it was explained to them that Arroyo was not intending to disturb them in their previously acquired rights, the agreement Exhibit D was executed.

In this document the Geronas declared that, in their capacity as heirs and next of kin of the deceased Concepcion Gerona, they ratified in all its parts the deed of compromise and waiver of June 13, 1913 (Exhibit A), and waived in favor of Ignacio Arroyo any right, interest or participation that they had or might have in and to the estate left by said Concepcion Gerona (par. 4); that to give effect to this waiver they authorized Attorney Jose Evangelista to state to the court in their name that they waived, as such heirs of Concepcion Gerona, in favor of Ignacio Arroyo, any right they might have in the estate of Concepcion Gerona, in conformity with the renunciation contained in the document Exhibit A, whereby all of the estate of Concepcion Gerona, not apportioned to the Gerona brothers, had been transferred to Ignacio Arroyo, whom they likewise authorized to obtain from the court a pronouncement as to his right to appropriate to himself the said estate of Concepcion Gerona (par. 5); and that they expressly and specifically waived in favor of Ignacio Arroyo any right, title or interest which they had or might have in any other property standing in the name of Concepcion Gerona (par. 6).

Directing our attention to the conditions under which the contract Exhibit D was executed, we observe that, for the appellees, it is contended that this ratification or confirmation of the original contract Exhibit A was procured by fraudulent representations; and in this connection it is claimed that the appellant and his attorney falsely represented to the plaintiffs that the estate of Concepcion Gerona, which was the subject of that contract, had a value of only eighteen thousand pesos. We are of the opinion that some such misrepresentation as this was made. Indeed, in view of the process to which Arroyo had subjected Concepcion's share in the estate of her parents, namely, of passing it through the testate proceedings of the estate of Apolonia Lacson, with the apparent result of giving to Concepcion Gerona only a one-sixth part thereof, it was but natural that the appellant should have represented that the interest really pertaining to her was of a trivial value. But whether the Geronas were in fact seriously misled by any such misrepresentation is more questionable. The circumstance that really entitles the Geronas to relief is that Arroyo had been in confidential relations with Concepcion Gerona, as her uncle and guardian, and the Geronas were dealing with him in that light, and as one in whom they had confidence. It is a well established rule of equity that all dealings with expectant heirs are presumptively invalid (2 Pom. Eq., 4 ed., sec. 953); also that, if a person who is placed in a fiduciary relation towards another intentionally conceals a material fact with the purpose of inducing the other to enter into an agreement, such concealment is an actual fraud, and the agreement is void without the aid of any presumption. (2 Pom. Eq. Jur., 4 ed., sec 956.) The Geronas were in no sense implicated in the fraudulent device by which the property inherited by Concepcion Gerona from her parents was passed through the estate of Apolonia Lacson. That device was a fraud perpetrated by Ignacio Arroyo upon his own ward and upon all who might derive an interest by inheritance from her. The

original contract Exhibit A, as already suggested, was a mere nullity, and the circumstance that in 1919 Ignacio Arroyo dealt with the estate of his niece in the testacy of Apolonia Lacson in the manner already stated shows clearly that he placed little reliance upon that contract.

It is insisted for the appellees that, inasmuch as the contract Exhibit A was void, the ratification of said contract contained in Exhibit D was also a nullity. But this contention overlooks the fact that, before the deed of ratification was executed, death had removed Concepcion Gerona from the scene of life. This circumstance removed the cause of nullity. A null contract cannot of course be ratified as long as the cause of nullity continues to exist, but when this cause is removed the parties are free to contract as they please. Whether the contract Exhibit D be viewed as a ratification, confirmation, or as a new contract, the result is the same, namely, that the Geronas are bound by said contract unless it was vitiated by fraud, actual or constructive.

Under the circumstances we have no hesitancy in declaring that the appellees are entitled to relief from said contract, but the extent of the relief which they should receive presents a question of some difficulty; for we are confronted with a situation in which, in eager haste to correct one wrong, we might commit another equally obnoxious to equity and the sense of justice.

The proper key to the solution of the case is found in the circumstance that the appellees have appealed to us as a court of equity, to be relieved from a contract which is *prima facie* binding against them. Under such circumstances the court has full power to grant relief to the extent necessary to correct the wrong that has been suffered by the appellees, without permitting them to inflict unnecessary damage upon others. Fortunately the case supplies the proper clue for what we consider the correct solution of the case.

In considering the significance of the acts done in this case, as affecting the rights of the respective parties, it is important to bear in mind that we are concerned with two interests which have different histories, although the threads have at no time been disentangled from each other. We refer to the different hereditary shares of the two heirs, Salvador and Concepcion Gerona, in the estates of their deceased parents. Each of these shares consisted of two elements, one inherited from the mother Manuela Arroyo, upon her death in 1893, and the other inherited from Blas Gerona, upon his death in 1895. The property thus inherited by Salvador and Concepcion was never partitioned, and when Salvador died in 1907 his share was inherited, as we have already seen, by his grandmother Apolonia Lacson. In the hands of the latter this property was reservable under article 811 of the Civil Code, and the interest thus inherited by Apolonia Lacson from Salvador should have been reserved for Concepcion Gerona. But, as we have already seen, Apolonia Lacson made a will, and, ignoring the reservable character of the property, devised only an undivided one-sixth interest therein to Concepcion. This was an infraction of the rules of descent prejudicial to Concepcion, and it is manifest that the devise was invalid in so far as it conveyed to Ignacio Arroyo an interest which should have been inherited by Concepcion. Now, it was shortly after the death of Apolonia Lacson that the contract Exhibit A, bearing date of June 13, 1913, was executed. In the execution of this document the contracting parties of course had principally in mind the facts then affecting their rights, namely, the death of Salvador Gerona and Apolonia Lacson.

On the other hand, the one-half interest which Concepcion Gerona had inherited from her parents, Blas Gerona and Manuela Arroyo, remained in her until her death, unaffected by the death of Salvador Gerona and Apolonia Lacson. Therefore, bearing in mind at all times that the contract Exhibit A, of June 13, 1913, was a nullity, it becomes manifest that the appellees stand in a much better position with respect to the interest which Concepcion acquired by inheritance from her own parents than they do in respect to the interest which they seek to derive from Salvador through Apolonia Lacson and Concepcion Gerona. The situation is undoubtedly somewhat confused because the parties attempted to deal with both interests in the same contract, and without advertence to the character of the different rights involved therein; but the difference, when attention is once drawn to the

matter, is quite apparent.

The result is, and so is our opinion, that the appellees can not be permitted to recover any of the property formerly vested in Salvador Gerona. Good reason for refusing to permit this recovery is found in the fact that the appellees were active and efficient agents in the making of the contract by which the estate of the living Concepcion Gerona was apparently stripped of that property. They were therefore, as to this interest, equally in wrong with the individual whom they now seek to despoil of the larger portion of his gain. As to this interest we think that the deed of ratification or confirmation, Exhibit D, should be held effective.

As to the half interest directly inherited by Concepcion Gerona from the estate of her deceased parents, the appellees are in a different position. They had no part in the act of Ignacio Arroyo by which he attempted to despoil his demented ward of five-sixths of this interest, that is, by conducting it through the channel of the testate proceedings of his mother into himself. The non-participation of the appellees in that act and their evident ignorance of its effects upon their hereditary rights, clearly entitle them to relief as to this part of the property involved.

In the course of these proceedings the fact has come to light that Ignacio Arroyo in life transferred a large part of the property which is involved in this lawsuit, and as to which he had acquired Torrens titles, to his son Jose Maria Arroyo. The act by which any such transfer was made constitutes no obstacle to this proceeding, although when the administration is under way proper steps will have to be taken to hold the estate of Ignacio Arroyo liable, if the property itself cannot be reached, for any responsibility which may be properly fixed upon him or his successors, in conformity with this decision.

The appealed decision of June 30, 1931, will therefore be affirmed in appointing an administrator over the estate of Concepcion Gerona, thereby abrogating the resolution of October 8, 1928, authorizing the summary distribution of her property. The amendatory order of July 2, 1931, is also affirmed in so far as it makes a declaration of nullity concerning the contract Exhibit A, of June 13, 1913. But the declaration with respect to the document Exhibit D, of the date of September 27, 1928, must be modified to the extent that the appellees are bound thereby, in so far as relates to the interest formerly vested in Salvador Gerona. In other respects the declaration of nullity made by the trial court concerning said contract is correct; and, as thus modified, the appealed judgment is affirmed. So ordered, without costs.

Villamor, Ostrand, Villa-Real, Abad Santos, Vickers, Imperial, and Butte, JJ., concur.

Justice Hull participated in this case, but on account of his absence on leave at the time of the promulgation of the decision, no statement of his conclusions appears appended to the opinion of the court, but he authorized the undersigned to certify that he voted to reverse the judgment and dismiss the complaint on the ground that the contract of September 27, 1928, is valid and should be enforced.—Street, J.

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