

ALFREDO A. SANSON, PLAINTIFF AND APPELLEE, VS. VALENTIN DIGNADICE, DEFENDANT AND APPELLANT.

G. R. No. 42633. March 23, 1937

Ponente: AVANCENA, C.J.

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AVANCENA, C.J.:

The appealed judgment declares the plaintiff Alfredo A. Sanson absolute owner of the land described in the complaint, entitled to one-third of the palay produced thereon and deposited in the hands of the provincial sheriff of Iloilo, and orders the defendant Valentin Dignadice to deliver the possession of said land to the, plaintiff.

On March 20, 1923, the defendant sold the land in question to Leonardo Soriano for the sum of P7,200 with pacto de retro for a period of ten years (Exhibit 2). It was also stipulated in the deed of sale that said land would be leased by the defendant, who agreed to pay one hundred cavans of palay annually as rent therefor. Leonardo Soriano died on July 20, 1927, and his intestate proceedings having been instituted, the land was adjudicated to his widow Joaquina Ganzon, in accordance with the partition made to that effect in June, 1929.

Shortly afterwards, the defendant applied for the registration of various parcels of land, including the one now under consideration, designated as lots Nos. 1 to 9. Joaquina Ganzon opposed the application as to said lots, alleging that they belonged to her, having been adjudicated to her in the intestate proceedings of her husband Leonardo Soriano. In said registration proceedings, the defendant confirmed the sale of said lots to Soriano, as well as the fact that he later leased them, agreeing to pay rent therefor. In the decision rendered in said case, the court stated: "It appears that parcels Nos. 1 to 9 have been sold with pacto de retro for the sum of P7,200 to Joaquina Ganzon Viuda de Soriano, as successor in interest of the deceased Leonardo Soriano, subject to a right of repurchase expiring on March 20, 1933, said parcels being in the possession of the applicant, as lessee, in consideration of an annual rent of one hundred provincial cavans of palay." The dispositive part of said decision reads:

"Wherefore, parcels or lots Nos. 1, 2, 3, 4, 5, 6, 7, 8 and 9, which are the subject matter of the application, together with all the improvements thereon, are ordered adjudicated and registered in favor of Valentin Dignadice, widower, of age, resident of Ajuy, Province of Iloilo, and a citizen of the Philippine Islands; it being understood that this adjudication is subject to the right of repurchase in favor of Joaquina Ganzon Viuda de Soriano for the sum of seven thousand two hundred pesos (P7,200) expiring on March 20, 1933." Pursuant to the terms of this decision, the certificate of title was issued in favor of the defendant with said right of repurchase annotated thereon.

As the period for repurchase had expired on March 20, 1933, without the vendor's having exercised said right, the certificate of title issued in favor of the defendant was cancelled and another issued in favor of Joaquina Ganzon.

On March 24, 1933, Joaquina Ganzon sold the land to Concepcion Araneta. The latter, in turn, sold it to Alfredo Sanson, the herein plaintiff, who, by virtue of said sale, instituted the present action for recovery of possession against the defendant.

The defendant's entire defense in this instance is based upon the ground that the contract entered into between him and Leonardo Soriano relative to the land in question, was not a sale with pacto de retro but a mere loan. However, as this same question had been raised in the above-cited registration case and the decision rendered therein has already become final, the entire question is reduced to what was the decision rendered in this respect. Examining the decision rendered in said case, it clearly appears that it was held by the court that the contract entered into between Leonardo Soriano and the defendant was a sale with pacto de retro. The terms of said decision are clear and unequivocal in this sense. The fact that the court used the word gravamen in stating that the purpose of Joaquina Ganson's opposition was merely to have a lien on the property recorded in her favor, does not affect the clear sense of the decision, inasmuch as this lien, in the opinion of the court, evidently consists in the contract of sale with pacto de retro entered into between Leonardo Soriano and the defendant. Furthermore, the word gravamen in its broad sense includes pacto de retro in so far as it is a limitation of ownership of the property affecting the vendor as well as the purchaser.

While the clearness of the language used in the dispositive part of the decision ordering the adjudication and registration of the land in favor of the defendant leaves much to be desired, there is no doubt that said adjudication and registration refer only to the remaining right of the defendant after the sale and during the period of the right of repurchase, because the law (section 19 [e], of Act No. 496, as amended by Act No. 2164), which permits the vendor under pacto de retro to apply for the registration of the real property sold, requires as condition the annotation of the sale for the purposes thereof.

Therefore, if the finding of the court in the registration case that the contract entered into between Leonardo Soriano and the defendant was a sale with pacto de retro and not a loan constitutes *res judicata*, this question cannot again be raised now.

The fact that after the decision in the above-cited registration case had been rendered, Joaquina Ganson, who was not the one who had entered into the contract of sale with pacto de retro, wrote letters wherein she called the defendant's obligation to refund the purchase price a debt, cannot affect the sense given by the court to its decision. Furthermore, it cannot be alleged that what Joaquina Ganson meant by debt in said letters is an obligation arising from a loan, because she clearly stated in one of them that the contract between the defendant and her deceased husband was a sale with pacto de retro. This conclusion arrived at by this court disposes of all the other alleged errors assigned in this case.

Wherefore, the judgment appealed from is affirmed, with costs to the appellant. So ordered.

Villa-Real, Imperial, Diaz, and Laurel, JJ., concur.

DISSENTING

CONCEPCION, J.,

I regret to have to dissent from the majority opinion. Taking for granted that the judgment rendered in the case for registration of the nine lots described in the complaint for recovery of possession is *res judicata*, the only final conclusion that may be arrived at, according to said judgment, is that the appellant and not the plaintiff is the true owner of the lands in question.

Said judgment reads:

"Wherefore, parcels or lots Nos. 1, 2, 3, 4, 5, 6, 7, 8 and 9, which are the subject matter of the application, together with all the improvements thereon, are ordered adjudicated and registered in favor of Valentin

Dignadice (the appellant), * * *; it being understood that this adjudication is subject to the right of repurchase in favor of Joaquina Ganzon Viuda de Soriano for the sum of seven thousand two hundred pesos (P7,200) expiring on March 20, 1933."

According to the foregoing judgment, the appellant is the owner of the lands, but Soriano's widow, the appellee's predecessor in interest, had a right of repurchase of said lands. This is the ordinary and legal sense of the underlined words. However, it does not seem to be the truth, because according to the evidence the appellant applied for the registration of the lands in question in his name. Joaquina Ganzon opposed it and during the hearing the appellant testified as follows:

"Q.

Here the oppositor Joaquina Ganzon Viuda de Soriano has filed an opposition or claim referring to the sale with pacto de retro of the first nine lots, which are the subject matter of the application, for the sum of seven thousand two hundred pesos, the period of which expires on March 20, 1933.

—

A.

Yes, sir.

"Q.

Is it true that that lien exists?

—

A.

Yes, sir, said lien exists.

"Q.

For seven thousand two hundred pesos?

—

A.

Yes, sir.

"Q.

And that it is due on March 20, 1933?

—

A.

Yes, sir,"

(Exhibit J, pages 20-22. Underscoring ours.)

Now, taking into consideration the foregoing testimony and the language in which the dispositive part of the abovequoted judgment is couched, it will be noted that the sale with pacto de retro of the lands in question was considered as a lien. However, as the contract of sale with pacto de retro is not exactly a lien, the judgment on this point is rather ambiguous and we should ascertain in what sense the appellant has used the word "lien" and what was the idea of the judge in decreeing that the lands belonged to the appellant, declaring that said adjudication was subject to a right of repurchase in favor of Soriano's widow. The reason for all of these is because the appellant, in the registration case as well as in this case, has always and invariably maintained that the sale with pacto de retro executed by him in favor of the deceased Leonardo Soriano was merely a loan of P7,200 secured by his lands, under the guise, of a sale with pacto de retro. It is not attempted herein to again raise the question whether the contract executed by the appellant in favor of Leonardo Soriano was a sale with pacto de retro or simply a loan. It is only attempted to clarify the ambiguity of the judgment by showing the true meaning of the judgment rendered in the registration case. Had the judge considered the sale with pacto de retro in question as a transfer of the right of ownership pending the resolutory condition of repurchase and not as a simple loan secured by the lands, he would not have decreed therein that the lands belonged to the appellant. He would have adjudicated them to Soriano's widow subject to the right of repurchase in favor of the appellant, as the provisions of the Civil Code relative to pacto de retro sales are not repealed.

It is not strange for the judge to have given the contract of sale with pacto de retro executed by the appellant, such character, inasmuch as this court itself, in various decisions, has also held certain contracts, which had been executed in the form of a sale with pacto de retro, to be mere loans secured by mortgage. (*Cuyugan vs. Santos*, 34 Phil., 100; *Villa vs. Santiago*, 38 Phil., 157.)

It has been established by the evidence, for the defendant that the interpretation given to the contract executed by the appellant in the judgment rendered in the registration case, considering it as a lien, is correct and just, and the parties have so understood it prior to as well as after the judgment, until the moment Joaquina Ganson Viuda de Soriano committed the fraud which will be shown later.

- With respect to Leonardo Soriano, predecessor in interest of his widow Joaquina Ganson, it appears that the origin of the alleged contract of sale with pacto de retro was a loan of P6,000 obtained by the appellant from said Leonardo Soriano. In order to have a security for the payment of the loan, Leonardo Soriano required the appellant to execute a deed of sale with pacto de retro, Exhibit 1, which was in fact executed by him on August 17, 1918, transferring to Soriano 24 parcels of land together with 10 heads of carabao for said sum of P6,000. As the interest agreed upon was 20 per cent, Soriano, in order to disguise the usurious nature of the transaction, caused the appellant to execute 3 days later, or on August 20th of said year, another separate deed stating that said appellant remained in possession of the lands and carabaos allegedly sold, as lessor, agreeing to pay on the 20th of August of every year the sum of P1,200 representing exactly 20 per cent of P6,000. As the appellant could not pay the supposed rent of P1,200 in the year 1922, Soriano caused the appellant to execute, as he in fact executed on March 20, 1923, the deed Exhibit 2, which was also apparently a contract of sale with pacto de retro, but instead of transferring said 24 parcels of land described in the previous deed, he transferred only 5 parcels which are the subject matter of this litigation, the consideration thereof being the sum of P7,200, that is, the amount of the original loan, P6,000, plus the unpaid interest of P1,200. It was stipulated in this contract that the appellant would pay 100 cavans of palay as alleged annual rent, thereby reducing the interest on the loan because "Mr. Soriano said that he took pity on the Dignadices" (the appellant and his children * * * page 69, t. s. n.). The period for the right of repurchase was likewise extended to 10 years from the date of the execution of the deed Exhibit 2. Soriano never requested that the land tax be put in his name, the lands which were the subject matter of the former deed as well as those of the second deed having remained assessed in the name of the appellant. Soriano died on July 20, 1927, and the 5 parcels of land were adjudicated in the partition of his estate to his widow Joaquina

Ganzont.

- Joaquina Ganzon's behaviour in connection with the lands in question likewise shows that she considered the contract of sale with pacto de retro executed by the appellant in favor of her deceased husband, as a simple loan secured by said lands, because neither did she ever apply for the transfer of the assessment thereon to her name and she consented to the issuance of the title to said lands in favor of the appellant. Furthermore, according to her letters Exhibits 8, 9, 10 and 11, the respective translations of which are Exhibits 8-A, 9-A, 10-A, and 11-A, she acted in this case with the conviction that what she had inherited from her husband was a credit of P7,200 secured by the appellant's lands. This is the reason why in her letter, Exhibit 8, addressed to the appellant, she said that, as she was in need of money, the appellant and his children should try to transfer said debt to other persons; and in her letter Exhibit 10, she was glad to hear that Alfredo A. Sanson, the herein plaintiff-appellee, intended to purchase the lands in question, so that the money might be refunded to her. All the foregoing clearly showed that Soriano's widow was talking about a loan, and it was only because the appellant had not answered her letters and because she found herself in dire financial necessity that she threatened to enforce her rights, that is, to take advantage of the fact that the documents executed by the appellant appeared on their face as a contract of sale with pacto de retro. In fact, by fraudulently inducing the register of deeds to believe that she was the owner of the lands in question and that the appellant had failed to repurchase them, she applied for and obtained the cancellation of the certificate of title issued in favor of the appellant and the issuance of another in her favor. On the day following the transfer of the title in her name, that is, on March 24, 1933, she sold the lands to Concepcion Araneta for the sum of P8,322, that is, the amount of the loan of P7,200 plus the interest thereon for about three years at the rate of P600 a year, which was equivalent to 100 cavans of palay formerly paid by the appellant but which he failed to pay regularly and entirely from the year 1930.

- Scarcely one month and several days after Concepcion Araneta had purchased the lands, she, in turn, sold them to the plaintiff-appellee Alfredo A. Sanson for P9,000, with the particularity that in the deed, Exhibit D, it was stated that she would not be responsible for warranty and eviction nor for the real estate tax on the lands sold by her, because it had not been paid by the appellant.

- The plaintiff-appellee is not a bona fide purchaser and the certificate of title issued in his favor should be annulled on the ground that in February, 1933, he attempted to purchase a part of the lands and learned from the appellant himself and his children that said lands had been given as security for a debt contracted by the appellant with the deceased Leonardo Soriano.

If in spite of all the above-stated facts, which clearly show that the parties very well knew that the true contract executed by the appellant was a loan secured by the lands, and it had been so considered by Joaquina Ganzon Viuda de Soriano until the moment it occurred to her to fraudulently induce the register of deeds to believe that her right was that of a purchaser and that the vendor had failed to exercise his right of repurchase; if, in spite of all the foregoing facts, the appellee were declared the legitimate owner of the nine parcels of land in litigation, it would be permitting the appellant to lose some lands assessed at P27,360 in 1929, for the sum of P7,200; while, if the appellant were declared the owner of the lands, no prejudice would be caused to the appellee because he would be able to recover the sum of P9,000 paid by him for said lands, inasmuch as by adding the accrued interest from the year 1930, at the rate of P600 per annum, to the amount of the loan of P7,200, the appellant's debt to this date would amount to about P11,400. I am of the opinion that the appealed judgment should be reversed, by declaring the transfer of title made in favor of Joaquina Ganzon Viuda de Soriano fraudulent, and that the appellant should be ordered to pay the amount of the loan of P7,200 plus the interest thereon at the rate of P600 per annum, from the year 1930 until the date of payment thereof.

ABAD SANTOS, J.:

I concur in the dissenting opinion of Justice Concepcion.

Judgment affirmed.

RESOLUTION ON MOTION FOR RECONSIDERATION

July 6, 1937

AVANCENA, C. J.:

The question raised in this case is whether the contract entered into between the defendant and Leonardo Soriano, from whom the plaintiff originally derives his right, was a sale with pacto de retro or a mere loan secured by mortgage. As stated in the decision rendered and in the dissenting opinion, and repeated in the motion for reconsideration, the same question having been previously raised in a registration case wherein judgment, now final, was rendered, the entire question is reduced to determining what was the decision rendered in said registration case.

In said decision the following conclusion of fact was established :

"It appears that parcels Nos. 1 to 9 have been sold with pacto de retro for the sum of P7,200 to Joaquina Ganzon Viuda de Soriano, as successor in interest of the deceased Leonardo Soriano, subject to a right of repurchase expiring on March 20, 1933, said parcels being in the possession of the applicant, as lessee, in consideration of an annual rent of one hundred provincial cavans of palay."

The dispositive part rendered reads:

"Wherefore, parcels or lots Nos. 1, 2, 3, 4, 5, 6, 7, 8 and 9, which are the subject matter of the application, together with all the improvements thereon, are ordered adjudicated and registered in favor of Valentin Dignadice, widower, of age, resident of Ajuy, Province of Iloilo, and a citizen of the Philippine Islands; it being understood that this adjudication is subject to the right of repurchase in favor of Joaquina Ganzon Viuda de Soriano for the sum of seven thousand two hundred pesos (P7,200) expiring on March 20, 1933."

It is not claimed that the language used in the abovequoted conclusion of fact is not clear, but it is alleged that the dispositive part is ambiguous. Granting that such ambiguity exists, if, on the other hand, it must be presumed that the court understood what it said upon holding that the contract was a sale with pacto de retro, the dispositive part in question cannot be interpreted in such a way that the effect of the contract would not be a sale with pacto de retro, but a mere loan. In the memorandum in support of the motion for reconsideration, the doctrine that where a judgment is susceptible of two interpretations, that one will be adopted which makes the judgment harmonized with the facts and law of the case, is cited. The fact in this case, as accepted by the court, is that the contract entered into was a sale with pacto de retro and the effect of this contract, under the law, is that the purchaser acquires ownership of the thing sold subject only, for a certain period, to a resolutory condition. If the allegedly ambiguous dispositive part were interpreted as holding that the contract was a mere loan and, consequently, did not transfer the ownership of the land to the purchaser, in spite of the fact that said land had been sold to him at least with pacto de retro, the judgment so interpreted would be contrary to law.

Although the allegedly ambiguous dispositive part could have been couched in a clearer language, this court is of the opinion that it is not ambiguous and is substantially in accordance with law. It must be remembered that prior to the passage of Act No. 1108, a vendor under pacto de retro could not apply for the registration of the land sold (Villaruel vs. Encarnacion, 5 Phil, 360). Act No. 1108, however, authorized the vendor under pacto de retro to

apply for the registration of the land sold, on condition that the sale be recorded. This court is of the opinion that the purpose of the law was to have the registration so applied for made in the name of the vendor, because, prior to the passage of Act No. 3621, which took place many years later, although the oppositor in a contested registration case proved that he was the owner of the land, which was the subject matter of the application, it could not be registered in his name. So that, where it has been proven that the land, the registration of which is sought, had been sold under pacto de retro by the applicant to the oppositor, as the land could not be registered in the name of the latter, it should be registered in the name of the vendor, he being authorized to apply for the registration thereof under Act No. 1108. It was so held in the case of *Montiero vs. Salgado* (27 Phil., 631), where, as the land the registration of which was applied for turned out to have been sold under pacto de retro by the applicant to the oppositor, the registration thereof in the name of the applicant was ordered with a notation of the sale.

Therefore, the fact that the court ordered the adjudication and registration of the land in the name of the applicant, does not necessarily mean that it declared the applicant the owner thereof.

It should be noted that in no part of the decision has the court declared that the land belongs to the applicant. It simply ordered the adjudication and registration thereof in his name.

Of course, this is not an instance where it has been held by the court that, notwithstanding the fact that the terms of the contract express a sale with pacto de retro, the contract entered into between the parties is, in reality, a simple loan secured by mortgage, because no such statement was made in the case under consideration.

The motion for reconsideration is denied and the decision rendered upheld. So ordered.

Villa-Real, Imperial, Diaz, and Laurel, JJ., concur.

ABAD SANTOS, J.:

I dissent for the reasons stated in the dissenting opinion of Justice Concepcion heretofore filed in this case.

COCEPCION, J.:

I dissent for the same reasons stated in my dissenting opinion.

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