

JULITA ROBLEZA AND JESUS ROBLEZA, PETITIONERS, VS. HON. COURT OF APPEALS (FIFTH DIVISION) AND INTER-ISLAND FISHING GEAR & EQUIPMENT, INC., RESPONDENTS.

G.R. No. 80364. June 28, 1989

Ponente: REGALADO, J.

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REGALADO, J.:

Petitioners are the plaintiffs in Civil Case No. 2717 of the Regional Trial Court, Branch XXII, General Santos City, an action for the "Declaration of Nullity of Documents of Sale, Cancellation of Torrens Titles, Injunction, with Writ of Preliminary Injunction, and Damages," and are the appellees in CA-G.R. No. 05368 before the Fifth Division of respondent Court of Appeals.

Respondent Inter-Island Fishing Gear and Equipment, Inc. is one of the defendants in said Civil Case No. 2717, the others being the spouses Elpedio Tan and Marianne del Corro Tan who were declared in default by the trial court and did not appeal from the judgment therein. Respondent corporation is the sole appellant in CA-G.R. No. 05368.[1]

Petitioners herein pray for the annulment of the judgment of dismissal rendered by respondent court,[2] which reversed the judgment of the Regional Trial Court, as well as its resolution of September 7, 1987 denying petitioners' motion for reconsideration. In the appeal in respondent court, only respondent corporation filed its brief; no appellees' brief was filed therein.[3]

It appears that on June 24, 1979, in General Santos City, petitioner Julita A. Robleza, with the consent of her husband, petitioner Jesus Robleza, sold to spouses Elpedio and Marianne Tan Lot No. 4735 covered by Transfer Certificate of Title No. T-14255 and Lot No. 4736 covered by Transfer Certificate of Title No. P-1348, more particularly described as follows:

"(1) Lot No. 4735, Ts-217 with an area of four hundred ninety-seven (497) square meters, more or less, bounded on the N., along line 1-2 by Lot 4737, Ts-217; on the S., along line 3-4 by Road; and the W., along line 4-1 by Lot 4734, Ts-217, and covered by Transfer Certificate of Title No. T-14255 of the Register of Deeds of General Santos City in the name of the spouses Julita A. Robleza and Jesus Robleza.

"At present this lot is covered by Transfer Certificate of Title No. T-19726 in the name of respondent corporation.

"(2) Lot No. 4736, Ts-217 with an area of four hundred ninety-five (495) square meters, more or less; bounded on the E., along line 1-2 by Lot 4737, Ts-217; on the S., along line 2-3 by Road; on the W., along line 3-4 by

Lot 4735, Ts-217, and covered by Original Certificate of Title No. (P-25346) (P-9702) P-1348 of the Register of Deeds of General Santos City in the name of the spouses Julita A. Robleza and Jesus Robleza.

"At present, this lot is covered by Transfer Certificate of Title No. T-19727 in the name of respondent corporation." [4]

For said purpose, petitioners executed a deed of absolute sale in favor of the Tan spouses over the above-described lots supposedly for and in consideration of the sum of ten thousand pesos (P10,000.00) which was therein acknowledged to have been allegedly paid. [5] Incidentally, says the respondent court, Elpedio Tan is the baptismal godson of petitioners and his mother was a schoolmate of petitioner Julita Robleza. In fine, the parents of Elpedio Tan and petitioners have known each other for more than forty years and are close to each other. [6]

It also found that the titles over the two lots were given to Elpedio Tan who, on June 28, 1979, was able to have two new titles in his name, to wit: Transfer Certificate of Title No. T-14304 for Lot No. 4735 and Transfer Certificate of Title No. T-14305 for Lot No. 4736. [7]

Further, it held that on July 29, 1979, in Bacolod City, Elpedio Tan executed in favor of respondent corporation a promissory note in the sum of two hundred twenty-eight thousand three hundred sixty-two pesos and ten centavos (P228,362.10) and on July 31, 1979, he executed a deed of mortgage over the two lots to secure payment of said promissory note. The mortgage was registered on August 3, 1979 per Entry Book No. 72 of the Register Deeds of General Santos City. [8]

Petitioners, claiming that they did not receive a single centavo from the Tans and maintaining that the purchase price of ten thousand pesos (P10,000.00) appearing on the face of the deed of sale was not the true purchase price, presented in evidence two checks issued by Elpedio Tan which represented the actual stipulated price. The first check, RCBC (General Santos Branch) Check No. 5027253 dated October 30, 1979, is in the amount of fifty thousand pesos (P50,000.00) and the other check, RCBC Check No. 5027254 dated November 30, 1979, is for forty-four thousand pesos (P44,000.00). Both checks were dishonored when presented for payment and were stamped "account closed." Thereafter, petitioners saw Elpedio Tan who assured them that he would pay the amount of the checks upon the release of his loan from the Development Bank of the Philippines. However, Elpedio Tan failed to make good his promise. [9]

When it became clear to petitioners that the Tan spouses did not really intend to pay the agreed price of the subject lots, they demanded the return of their certificates of title. It was at this juncture that Elpedio Tan admitted to petitioners that he had transferred the titles to the lots in his name and that he had mortgaged the lots and turned over his certificates of title to respondent corporation. [10] Petitioner Jesus Robleza demanded confirmation of that information and so he and Elpidio Tan proceeded to the office of respondent corporation in Bacolod City. That was sometime before February 5, 1980. True enough, as confirmed by Romeo Uy, the general manager of respondent corporation, petitioner found out that the two lots were used as collaterals and that the certificates of title were in the possession of the private respondent. Apprised of the true facts on the status of the said two lots and the non-payment of the purchase price by the Tan spouses, said general manager of respondent corporation refused to return the certificates of title but signified his willingness to accept other collaterals provided a partial payment of fifty thousand pesos (P50,000.00) would first be made by Elpedio Tan. [11]

After the trip to Bacolod City, petitioner Jesus Robleza met with Elpedio Tan again in General Santos City on February 5, 1980 when the former signed as a witness in a deed of sale over Lot No. 4736, Ts-217 which was executed by Tan in favor of a certain Jong See in order to raise the amount of fifty thousand pesos (P50,000.00) to

be used as partial payment for Tan's loan with respondent corporation. However, the transaction failed when Jong See refused to make payment unless the certificate of title to the lot would first be given to him.[12]

For failure of the Tans to pay their outstanding obligation to private respondent, the mortgage on the two lots was foreclosed and the same were sold on June 17, 1981 to respondent corporation in a public auction sale conducted by the City Sheriff of General Santos City. On August 26, 1982, one year after the registration of the sheriffs sale, ownership was consolidated in the name of respondent corporation and new titles, namely, Transfer Certificate of Title No. T-19726 for Lot No. 4735 and Transfer Certificate of Title No. T-1 9727 for Lot No. 4736, were issued in its name.[13]

On May 16, 1983, as earlier mentioned, petitioners filed Civil Case No. 2717 for the nullification of the aforesaid deed of sale for want of consideration and for the cancellation of the transfer certificates of title issued to private respondent. Petitioners claim that they have always been in possession of the subject property, that neither the Tan spouses nor private respondent ever took possession thereof and that respondent corporation acted in bad faith.

After trial, the court a quo rendered judgment in favor of herein petitioners, as follows:

“ACCORDINGLY, judgement is hereby rendered in favor of the plaintiffs:

- 1) Declaring them, plaintiffs, as the absolute and registered owners of Lot No. 4735, Ts-217 and Lot. No. 4736, Ts.-217 and are entitled to their possession and for this purpose a Writ of Injunction is hereby issued against the defendants, their assigns, successors and/or their representatives;
- 2) Declaring the Deed of Absolute Sale executed by the plaintiffs in favor of Elpidio Tan and Marianne del Corro Tan on June 24, 1979 which was notarized on June 28, 1979 by Notary Public Romulo de Jesus at General Santos City (Exhibit ‘C’) null and void ab initio;
- 3) Declaring the foreclosure proceedings conducted by the City Sheriff of General Santos City which was initiated by defendant corporation on the Deed of Mortgage dated July 31, 1979 (Exhibit ‘10’) over the two (2) lots is question null and void for being defective;
- 4) Ordering the Register of Deeds of General Santos City to cancel Transfer Certificate of Title No. T-19726 covering Lot No. 4735, Ts-217 (Exhibit ‘H’) and Transfer Certificate of Title No. T-19727 covering Lot No. 4736 Ts-217 (Exhibit T) both in the name of Inter-Island Fishing Gear & Equipment, Inc., and to issue two (2) new Transfer Certificate of Titles (sic) over the same lots in favor of the Plaintiffs;
- 5) Ordering the defendants to pay the plaintiffs, jointly and severally, moral damages in the amount of one hundred thousand (P100,000.00) pesos, compensatory damages in the amount of Fifty Thousand (P50,000.00) Pesos, exemplary damages in the amount of ten thousand (P10,000.00) pesos; and dismissing the counterclaim of defendant corporation. With costs against the defendants.

"SO ORDERED." [14]

As herein before noted, respondent court reversed the above-quoted judgment, dismissed the complaint in Civil Case No. 2717, and denied petitioners' motion for reconsideration. In this appeal by certiorari, petitioners contend that respondent court failed to consider the evidence of record, the findings of fact, the law and jurisprudence applicable to the case which were all discussed in the judgment rendered by the trial court.

Private respondent insists that this petition should be dismissed since it involves questions of fact. We have consistently held that when the findings of fact of the Court of Appeals are at variance with those of the trial court, then this Court has to review the evidence in order to arrive at the correct findings based on the record.[15] It is precisely in the exercise of such power and duty that We have essayed here an extended exposition and adjudication of the discordant factual findings in the likewise extensive decisions of the two lower courts.

1. Basic is the rule that if the contract has no cause, it shall not produce any effect whatsoever[16] and, therefore, it is inexistent or void from the beginning.[17] It is the total absence of cause or consideration that renders such contract absolutely void and inexistent. Where the parties agreed upon a price but the vendee did not in fact pay or failed to pay in full the purchase price, the contract may still be supported by some other consideration. The fact of payment or non-payment is not the controlling criterion in declaring the contract null and void for want of consideration. Non-payment of the contract price results in a breach of contract for non-performance and warrants an action for rescission or specific performance under Article 1191 of the Civil Code.

In like manner, where the parties intended to be bound by the contract except that it did not reflect the actual purchase price of the property, as in the case at bar, there is only a relative simulation of the contract which remains valid and enforceable, but the parties shall be bound by their real agreement. The present contract cannot be declared null and void or inexistent from the beginning since it does not fall under the category of an absolutely simulated or fictitious contract[18] the basic characteristic of which is that the apparent contract is not really desired or intended to produce legal effects or to alter in any way the juridical situation of the parties.[19]

In the case at bar, petitioners categorically admitted during the trial that the actual consideration was fifty thousand pesos (P50,000.00) for each lot. Since, however, petitioners owed Tan's mother six thousand pesos (P6,000.00), it was agreed that this amount would be deducted from the total purchase price of one hundred thousand pesos (P100,000.00).[20] This accounts for the fact that the amount in one of the checks was only forty-four thousand pesos (P44,000.00). Since there was partial payment made on the deed of absolute sale, an action for declaration of nullity will not prosper.

Such a circumstance, however, does not per se warrant an outright dismissal of petitioners' action. The power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him.[21] The right to rescind may be availed of for such breaches as are substantial and fundamental as to defeat the object of the parties making the contract.[22] Indubitably, under the factual setting of this case, the remedy of resolution of the deed of sale is available to petitioners.

The rule is settled that it is not the caption of the pleading nor the relief prayed for, but the allegations therein, that determine the nature of the action and the court shall grant the relief warranted by the allegations and the proof even if no such specific relief is prayed for.[23] Consequently, where the allegations in plaintiffs' complaint below and the evidence thereon satisfactorily make out a case for the resolution of the contract between the parties, the deed of sale, instead of being nullified, may be rescinded.

The complaint avers that petitioners were not paid a single centavo by the spouses Tan, that respondent corporation obtained transfer certificates of title over the subject lots in its name despite knowledge of the fraud committed by Tan upon herein petitioners, and that the spouses Tan are nowhere to be found. Such action upon a written contract, prescribes in ten years from execution thereof.[24] The complaint was filed on May 16, 1983,

less than four years after the deed of absolute sale was executed on June 24, 1979, hence, as an action to rescind, it was well within the prescriptive period.

Furthermore, the relevant facts being before the Court, the appropriate relief of resolution of the subject deed of sale may properly be granted at this posture of the case where the evidence warrants the same,[25] especially since the generality of the reliefs sought would not even necessitate any remand to the trial court.

We agree with the court below that the actual consideration is the total value of the two checks and not what is reflected in the deed of sale. Further, there is no question that the two checks issued to petitioners by Elpedio Tan were dishonored by the drawee bank. The assumption of respondent court that said checks were issued in payment of a supposed loan extended by petitioners to Elpedio Tan is utterly devoid of evidentiary support. On the proven facts, what appears clear to Us is that the two checks actually comprise the balance of the agreed price for the lots sold. Respondent court hypothesizes that the deed of sale was prepared by petitioners, hence, any ambiguity which may arise therefrom must be construed strictly against them. It cannot, however, be explicitly determined from the evidence presented that the authorship of the subject document can be correctly attributed to petitioners.

While it may seem that petitioners and the Tan spouses are in *pari delicto*, the former for agreeing that a price lower than the true consideration be stated in the deed of sale and the latter for registering the same despite non-payment of the full purchase price, the said deed should actually be considered as merely a relatively simulated contract. Hence, under Article 1946 of the Civil Code, the parties shall be bound by their real agreement on the remaining consideration of ninety-four thousand pesos (P94,000.00) as reflected in the two checks. The *pari delicto* rule would not apply as both the object and cause are licit. If the concealed contract is lawful, it is absolutely enforceable where the essential requisites are present and the simulation was only on the content or terms thereof.[26]

True, petitioners have the burden of proving their negative allegation that no substantial payment has been made to them on account of the sale. This onus they have discharged for, as hereinbefore demonstrated, Elpedio Tan admittedly failed to comply with his obligation by virtue of the sale and consequent to the dishonor of the checks. Significantly, his admission of non-payment, and necessarily the legal effects thereof, are binding upon respondent corporation. Where one derives title to property from another, the act, declaration, or omission of the latter, while holding the title, in relation to the property, is evidence against the former.[27]

2. There are several indicia which lead Us to the conclusion that respondent corporation acted in bad faith in foreclosing the subject properties, to the prejudice of herein petitioners.

It may be true that, when the mortgage was constituted, respondent corporation could have had the right to rely on the veracity of Tan's claims respecting his legitimate use of said titles therefor. However, it is uncontradicted that long before the foreclosure proceedings, there occurred two events erosive of any pretension of good faith by private respondent. Firstly, when a lawyer of respondent corporation went to General Santos City for the purpose of fencing the land, he was prevented from doing so and was, instead, informed by petitioners about the non-payment by the Tan spouses of the purchase price and given xerox copies of the bouncing checks of Elpedio Tan.[28] Secondly, when petitioner Jesus Robleza thereafter went to Bacolod City, he fully informed the manager of respondent corporation of what transpired during the first incident and of the fraud which Tan had perpetrated on petitioners, which actuations of petitioner were later confirmed by the latter and by Tan.[29]

Thus, as early as the time when respondent corporation's lawyer went to see the property, bad faith had set in since, in that posture, it was incumbent upon respondent corporation to initiate the proper legal remedies for the protection of its supposed alleged rights. Its failure to do so is strongly indicative of bad faith for, if it really believed that it had every right to the possession of the land as a mortgagee, it would not have treated the matter

so lightly and with indifference. Its unexplained silence may be deemed a recognition and an admission on its part that petitioners are the true owners of the subject lots. The categorical refusal of petitioners to surrender possession of the land and their unequivocal declaration that they are the true owners thereof, made in the presence and within the observation of private respondent's agents who did or said nothing when the act or declaration is such as naturally to call for action or comment if not true, may be given in evidence against respondent corporation[30] and, in this case, should be considered as evidence adverse to it.

Respondent corporation would make capital over the initial uncertainty of the testimonial evidence as to when petitioner Jesus Robleza went to Bacolod City for the meeting herein before discussed. Private respondent insists that said petitioner came in 1981. However, when confronted with the aforesaid deed of sale executed in favor of Jong See on February 5, 1980 as a frame of reference, said petitioner emphatically established that he visited the Bacolod office prior to February 5, 1980.[31] And, We have ample reason to believe petitioner's contention.

As earlier narrated, during the meeting in Bacolod City it was agreed that respondent corporation would return the certificates of title to petitioners on the condition that Tan should first make a partial payment of fifty thousand pesos (P50,000.00). This is specifically the reason why petitioner Jesus Robleza later consented and even signed as a witness in the aborted deed of sale of one of the lots in favor of Jong See, the very purpose of which was to raise the aforesaid amount of fifty thousand pesos (P50,000.00), expecting to thereby recover at least the other lot. Also, under such circumstances, it is absurd to consider petitioner's act as an implied ratification of the deed of sale sought to be rescinded as private respondent would want Us to do. On the contrary, respondent corporation's agreeing to return the titles to petitioners is an admission and an acknowledgment of petitioners' superior right of ownership; it is thus estopped from claiming otherwise.

It is likewise uncontroverted that petitioners were and have been in continuous and uninterrupted possession of the lot during all the time that Elpedio Tan and, later, respondent corporation were holding the supposed titles thereto. Even after its lawyer went there for the first time to fence the land, and subsequently when petitioners met with the manager of respondent corporation, the latter never took actual possession nor did it demand transfer of possession to it. It is an unusual departure from the natural course of things for respondent corporation to remain silent over the adverse claims of petitioners. Such passivity only serves to fortify the conclusion that respondent corporation was aware of the illegality of its claim.

3. On the alleged negligence of petitioners in giving the transfer certificates of title to Elpedio Tan before full payment had been made and their subsequent failure to notify the register of deeds of the defect in the titles of Tan, it must be recalled that petitioners and the parents of Elpedio Tan have been close friends, apparently without any incident having marred their association, for over forty years. Our jurisprudence is replete with instances where trust has been repaid with betrayal, due to misplaced confidence born of fraternal or personal intimacy and despite the victim's experience and circumspection. Considering the Filipino cultural psyche, especially in the provincial setting where relationships are more personalized, it would not be difficult to rationalize petitioners' entrusting their certificates of title to the Tan spouses whose motives at that time they had no cause to doubt. Petitioners had no reason than to suspect that the titles would immediately be transferred in the name of Tan. They cannot be faulted of being unmindful of their rights when in the first place they neither were aware nor anticipated any violation thereof.

4. To repeat, there are insuperable features in this case which compel Us to decree the resolution of the deed of sale between the parties. It was preponderantly established that there was non-payment of the purchase price. Also, petitioners were never disturbed in their possession even when the titles to the lots were transferred to the Tan spouses up to the time the same were mortgaged to respondent corporation and were eventually subjected to foreclosure proceedings. In fact, Jong See who had tried but failed to purchase one of the lots and had constructed

a building thereon, was paying rentals on the premises to herein petitioners. For these reasons, there is no other legal or equitable recourse but to declare, as We hereby declare, the aforesaid deed of sale rescinded and of no legal effect.

5. We agree with the trial court that based on the evidence of record the petitioners are entitled to damages. It is said, however, that the law on damages is merely intended to repair the damage done by putting the plaintiff in the same position, as far as pecuniary compensation can do, that he would be had the damage not been inflicted and the wrong not committed. Moral damages are not intended to enrich the plaintiff; they are designed to compensate for the actual injury suffered, not to impose a penalty on the wrongdoer.[32]

Considering, further, that petitioners were never dispossessed of the subject lots, although their right of disposition and alienation thereover was impaired, an award of fifty thousand pesos (P50,000.00) as moral damages, in addition to the compensatory and exemplary damages awarded by the trial court, is deemed sufficient and reasonable.

Lastly, since the resolution of the subject deed requires mutual restitution by the parties of what they have received, private respondent is ordered to surrender the transfer certificates of title issued in its name covering the subject lots and petitioners are ordered to return the amount of six thousand pesos (P6,000.00) to Tan.

WHEREFORE, the decision appealed from is REVERSED and judgment is hereby rendered REINSTATING and AFFIRMING the decision of the court a quo in Civil Case No. 2717, subject to the modifications abovestated.

SO ORDERED.

Melencio-Herrera (Chairperson), Paras, Padilla, and Sarmiento, JJ., concur.

[1] Rollo, 9.

[2] Justice Jose A.R. Melo, ponente; Justices Esteban M. Lising and Celso L. Magsino, concurring.

[3] Rollo, 82.

[4] Ibid., 99.

[5] Exhibit C, also Exhibit 5.

[6] Rollo, 43.

[7] Exhibits F and G, also Exhibits 6 and 7; Rollo, 43.

[8] Exhibits 9 and 10; Rollo, 43.

[9] Exhibits D and E; Rollo, 44; TSN, Feb. 7, 1984, 21-22.

[10] TSN, Feb. 7, 1984, 28.

[11] TSN, id., 28-34; Feb. 8, 1983, 121; Mar. 14, 1984, 193-194.

[12] Exhibit 2; Rollo, 64.

[13] Exhibits 8 and 1; Rollo, 44.

[14] Rollo, 77-78; penned by Presiding Judge Marcelino R. Valdez.

[15] Corliss vs. Manila Railroad Co., 27 SCRA 674 (1969); Bunyi vs. Reyes, et al., 39 SCRA 504 (1971); De la

Paz vs. De Guzman, 43 SCRA 384(1972); Cruz, et al. vs. Court of Appeals, et al., 129 SCRA 222 (1984); Republic vs. Court of Appeals, et al, 132 SCRA 514 (1984).

[16] Art. 1352, Civil Code.

[17] Art, 1409, id.

[18] See Art. 1409 (2), Civil Code.

[19] Carantes vs. Court of Appeals, et al., 76 SCRA 514 (1977).

[20] TSN, Feb. 7, 1984, 12-13.

[21] Art. 1191, Civil Code.

[22] Song Fo & Co. vs. Hawaiian Philippine Co., 47 Phil. 821 (1925).

[23] Ras vs. Sua, et al, 25 SCRA 153 (1968).

[24] Art. 1144 (1), Civil Code.

[25] See Tejones vs. Gironelia, et at., 159 SCRA 100 (1988); Quillian vs. Court of Appeals, et al., G.R. No. 55457, Jan. 20, 1989.

[26] See Commentaries and Jurisprudence on the Civil Code of the Philippines, Tolentino, Vol. IV, 1986 Ed., 520-521, citing 1 Gasped 457-458; Civil Code of the Philippines Annotated, Paras, Vol. IV, 5th Ed., 493.

[27] Sec. 28, Rule 130, Rules of Court.

[28] Rollo, 104.

[29] Ibid., 170.

[30] Sec. 23, Rule 130, Rules of Court.

[31] TSN, Feb. 8, 1984, 121.

[32] See San Andres vs. Court of Appeals, et al., 116 SCRA 81 (1982).

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