

**ANICETA RAMIREZ, AGUSTIN RAMIREZ, JR., LORNA RAMIREZ,  
NESTOR RAMIREZ, ROMEO RAMIREZ, CHITO RAMIREZ, PANCHO  
RAMIREZ, MARLON RAMIREZ, OSCAR RAMIREZ, SPOUSES VICENTE  
AND BALDOMERA...**

*G.R. No. 96412. August 24, 1998*

Ponente: PURISIMA, J.

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**PURISIMA, J.:**

At bar is a Petition for Review on Certiorari under Rule 45 of the Revised Rules of Court, seeking to review and set aside the Decision dated April 18, 1990 and Resolution dated December 5, 1990 of the Court of Appeals,[1] reversing the Order dated March 12, 1986 of the Regional Trial Court of Cebu, Branch 14,[2] in Civil Case No. CEB-3801, and denying petitioners' Motion for Reconsideration and Addendum to the Motion for Reconsideration.

Involved here are two (2) Deeds of Sale over one and the same parcel of land in dispute. The first deed of sale is impugned for alleged non-payment of the full purchase price. The other deed is theorized upon as a mere equitable mortgage.

The said first Deed of Sale[3] was executed on December 18, 1965 by the spouses Agustin Ramirez and Aniceta Ramirez, as vendors, and Maria vda. de Ramos, as vendee, over a parcel of land registered in vendors' names under Transfer Certificate of Title No. 21560, for and in consideration of the sum of P28,000.00. Vendee took physical possession of the property deeded out but title thereto was not transferred in her name.

The second Deed of Sale in question was inked on March 25, 1977 by Benedicto Ramos, as vendor, and Vicente Aniñon, as vendee. When Maria vda. de Ramos, mother of vendor Benedicto Ramos, died on April 7, 1974, he inherited subject parcel of land sold to his late mother under the first sale. As the sole heir, he (Benedicto Ramos) adjudicated to himself the said parcel of land and in the same instrument he conveyed the property to Vicente Aniñon, for and in consideration of the sum of P20,000.00, as evidenced by the "Settlement and Extrajudicial Adjudication of the Estate of Maria vda. de Ramos by a Sole Heir with Simultaneous Sale of Inheritance" dated March 25, 1977.[4]

Complications arose on December 29, 1982, when Agustin Ramirez, one of the vendors in the first sale, died. His wife, Aniceta, and children, Agustin, Jr., Lorna, Nestor, Romeo, Chito, Pancho, Marlon, and Oscar, all surnamed Ramirez, adjudicated to themselves the same parcel of land sold under the aforementioned first sale, and second sale. As shown in the "Settlement and Extrajudicial Adjudication of Estate of Agustin Ramirez by the Undersigned Heirs with Deed of Sale,"[5] dated December 20, 1984 (Exhibit 4), the above-named heirs of Agustin Ramirez sold the same property under controversy for P95,000.00, to the spouses, Vicente Aniñon and Baldomera Aniñon, who thereafter conveyed the said property to the spouses, Elmer Sunbanum and Beng Tee Sunbanum, in whose names TCT No. T-93448 issued.

On July 4, 1984, Atty. Manuel F. Ong, lawyer of Benedicto Ramos, sent a letter (Exhibit “2”) to Aniceta Ramirez (wife of Agustin Ramirez and co-vendor in the first sale) demanding from the latter, the delivery of TCT No. T-21560.[6] On July 19, 1984, Aniceta’s lawyer, Atty. Anastacio Muntuerto, Jr., wrote a reply-letter[7] (Exhibit “3”), explaining that the Transfer Certificate of Title asked for could not be delivered for the reason that full consideration of the first sale was never paid and whatever partial payment made thereunder was refunded to Benedicto Ramos.

On May 14, 1985, the spouses, Benedicto Ramos and Evangeline Ramos, the private respondents herein, brought a Complaint[8] for Quieting of Title, Annulment of Sale, Cancellation of Certificate of Title, Damages, etc., docketed as Civil Case No. CEB-3801 before Branch 14 of the Regional Trial Court of Cebu, assailing the series of transfers from the heirs of Agustin Ramirez to the spouses Aniñon. The Complaint was later amended[9] to implead the spouses Sunbanum, as defendants.

The heirs of Agustin Ramirez, spouses Aniñon, and spouses Sunbanum, the petitioners in this case, sent in their Answer,[10] theorizing that the first sale was never consummated because its full consideration was not paid, and the private respondents (plaintiffs below) have no cause of action since Benedicto Ramos had sold the same property to the petitioner, Vicente Aniñon.

In their Reply,[11] private respondents countered that the second sale was not really a sale but was just executed to guarantee a debt or performance of an obligation. Although such Reply was not verified, attached thereto was a duly verified Answer of Benedicto Ramos (private respondent here) in an ejectment case instituted against him by the herein petitioner, Vicente Aniñon. The verified Answer so attached contained the allegations averred in the said Reply.

On July 1, 1985, petitioners interposed a Motion to Dismiss[12] in the Civil Case No. CEB-3801 for quieting of title, on the ground of lack of cause of action on the part of plaintiffs, now private respondents. In an Order[13] dated March 12, 1986, the trial court granted the said Motion to Dismiss; ruling, thus:

“WHEREFORE, for utter lack of cause of action and in view of the foregoing considerations, the complaint is ordered dismissed, as the same is hereby dismissed. The plaintiffs are hereby ordered to vacate the premises in question (Lot 1584 of the Cebu Cadastral Survey) and to deliver and surrender the possession thereof to spouses Vicente C. Aniñon and Baldomera Echivarre.”

The said Order of dismissal was premised on a finding that the private respondents (plaintiffs) were deemed to have admitted the genuineness and due execution of the Deed of Sale in favor of petitioner Vicente Aniñon, as a result of their failure to deny under oath the genuineness and due execution of subject Deed.

On March 24, 1986, from the challenged Order of Dismissal, private respondents filed with the trial court their Notice of Appeal[14] to the Court of Appeals.

And on April 18, 1990, the Court of Appeals came out with a Decision[15] the dispositive portion of which, reads:

“WHEREFORE, the judgment appealed from is hereby reversed and a new one entered:

- 1) Declaring the deed, Exhibits 1-A and F to be an equitable mortgage;
- 2) Ordering plaintiffs-appellants to pay defendant-appellee Vicente C. Aniñon the sum of P20,000.00, with legal interest thereon from the date of this judgment;
- 3) Declaring the deed of sale portion (Exh. D) in the “Settlement and Extra Judicial Adjudication of Estate of Agustin Ramirez by the Undersigned Heirs with Deed of Sale” (Exh. 4) as null and void and without effect;

4) Ordering the Register of Deeds of Cebu City to cancel; (a) TCT No. 92295 issued in the names of Aniceta, Agustin, Lorna, Ester, Romeo, Chito, Pancho, Marlon, and Oscar, all surnamed Ramirez; (b) TCT No. 92796 issued in the names of the spouses Vicente C. Aniñon and Baldomera Echivarre; (c) TCT No. 93448 issued in the names of Elmer Sunbanum and Beng Tee U. Sunbanum; restore TCT No. 21560 issued in the names of the spouses Agustin Ramirez and Aniceta Ramirez and thereafter cancel the same and issue a new one in the names of the spouses Benedicto Ramos and Evangeline Ramos.”

In its said Decision, the Court of Appeals opined that “there was substantial compliance with the rule requiring denial under oath of an actionable document”[16] considering that the Reply of private respondents (plaintiffs below) had verified attachments, like the verified Answer aforesaid, and a Counter-Affidavit[17] of Benedicto Ramos in a case of estafa filed against him by Vicente Aniñon, which counter-affidavit and verified pleading contained the same allegations of the Reply in question.

The Court of Appeals adjudged the second deed of sale sued upon as an equitable mortgage because of the unusually inadequate price of the property supposedly conveyed thereunder, let alone the fact that vendor Benedicto Ramos continued possessing subject property even after the execution of such contract. Guided by the said observations, the respondent Court concluded that the attendant facts and circumstances aforesaid were indicia of an equitable mortgage within the contemplation of Article 1602 of the New Civil Code.

Petitioners presented a Motion for Reconsideration[18] and Addendum to Motion for Reconsideration[19] but to no avail. The same were denied by the Court of Appeals’ Resolution[20] dated December 5, 1990; holding, as follows:

“x x x

“Firstly, that letter [Atty. Muntuerto’s letter to Atty. Ong] was written and presented after Maria vda. de Ramos had died (she died in April 1974), and no longer had the opportunity to refute the truth of the statement.

“Secondly, if the sale had never been consummated, it should have been rescinded long ago, but, no documentary evidence has been presented to prove there was such a rescission. x x x

“Thirdly, there is no evidence to show how much of the purchase price remained unpaid. x x x No mention is made of any balance still due and owing. x x x

“Fourthly, the letter is not evidence of prior knowledge by plaintiff-appellant Benedicto Ramos of the alleged invalidity of his title. It must be remembered that the letter was in response to his demand from defendants-appellees Ramirez for the title to the property. This demand is an indication of a lack of knowledge on his part about any flaw in his title. x x x” [21]

Dissatisfied with the adverse ruling thus handed down by the Court of Appeals, petitioners have come to this Court via this petition for review on certiorari; placing reliance on the assignment of errors, that:

I

THE RESPONDENT COURT GROSSLY ERRED IN IGNORING EVIDENCE ON RECORD THAT PRIVATE RESPONDENT RAMOS NEVER ACQUIRED ANY VALID TITLE TO THE SUBJECT PROPERTY IT APPEARING THAT THE PURCHASE PURPORTEDLY MADE BY MARIA VDA. DE RAMOS ON DECEMBER 18, 1965 OF THE DISPUTED PROPERTY FROM THE RAMIREZ SPOUSES WAS FOUND TO BE “FLAWED” FOR FAILURE OF CONSIDERATION AND THUS THE LAND IN QUESTION WAS THEREFORE NEVER LAWFULLY AND VALIDLY INHERITED BY HIM.

II

THE RESPONDENT COURT CONSEQUENTLY ERRED IN NOT AFFIRMING THE LOWER COURT’S

FINDING THAT THE RAMIREZES HAD ALWAYS BEEN THE LAWFUL OWNERS OF THE SUBJECT PROPERTY AND THEIR SALE (EXH. 4 AND EXH. D) OF SAID PROPERTY TO THE ANIÑON SPOUSES WAS LEGAL. HENCE, IT WAS ERROR TO DECLARE THE SALE AS NULL AND VOID.

### III

IN ANY EVENT, THE RESPONDENT COURT GROSSLY ERRED IN RULING THAT THE SALE OF THE PROPERTY BY RESPONDENT RAMOS IN FAVOR OF THE SPOUSES ANIÑON WAS NOT AN ABSOLUTE SALE BUT AN EQUITABLE MORTGAGE, THE BASIS OF THE CONCLUSION BEING PURELY CONJECTURAL, SPECULATIVE AND CONTRARY TO THE INTENT AND SPIRIT OF ARTICLE 1602 OF THE CIVIL CODE AS WELL AS ESTABLISHED JURISPRUDENCE.

### IV

CONSEQUENTLY, THE RESPONDENT COURT ERRED IN REVERSING THE LOWER COURT'S ORDER AND IN NOT AFFIRMING THE DISMISSAL OF THE COMPLAINT.

The fate of the first and second assigned errors hinges on the validity or invalidity of the (first) sale by the spouses Ramirez in favor of the late Maria vda. de Ramos. If valid, the third sale of the same property, from the heirs of Agustin Ramirez to the herein petitioner, Vicente Aniñon, would be a complete nullity for, then, the former would have nothing to convey to the latter.[22]

This Court does not review findings of fact by the Court of Appeals unless the findings of the appellate court are mistaken, absurd, speculative, conjectural, conflicting, tainted with grave abuse of discretion, or contrary to the findings culled by the trial court of origin.[23] Here, after a careful study, we perceive no infirmity or anything reversible in the aforesaid findings arrived at by respondent Court of Appeals. The same are factual and correct.

Petitioners contend that the first sale over subject parcel of land, from the spouses, Agustin Ramirez and Aniceta Ramirez, to Maria vda. de Ramos, was never consummated allegedly due to non-payment of the whole purchase price. To support this stance, petitioners invite attention to a letter of Atty. Anastacio Muntuerto, Jr., lawyer of petitioner Aniceta C. Ramirez, to Atty. Manuel Ong, lawyer of private respondent Benedicto Ramos, informing the latter that the entire consideration of the first sale was never paid and that private respondent Benedicto Ramos had been refunded whatever partial payments were made therefor.

But apart from such letter alluded to, petitioners failed to introduce any other evidence to substantiate the theorized non-payment of the full purchase price of the parcel of land deeded out in the first sale, and refund of whatever partial payment of the consideration thereof. Consequently, we discern no sufficient basis for disturbing the finding and conclusion of the Court of Appeals – that the vendee of the first sale, Maria vda. de Ramos (now deceased), fully paid the purchase price of P28,000.00. From the Deed of Sale executed on December 18, 1965 by the spouses, Agustin Ramirez and Aniceta Ramirez, in favor of Maria vda. de Ramos, it can be gleaned unerringly that there was full payment of the stipulated purchase price. No downpayment or installment payment is therein mentioned or intimated. There is, therefore, no other conclusion derivable therefrom than that the total consideration of the first sale was fully paid and the said sale was duly consummated. Then, too, is the fact that the Deed of Sale under scrutiny was notarized by Notary Public Alfredo Marigomen.

As regards the refund of partial payments theorized upon by the petitioners, the same is not only hard to believe. It does not conform to reason and human experience. For instance, it is unbelievable and difficult to fathom how amounts supposedly paid to private respondent Benedicto Ramos were refunded without any reliable document or piece of paper reflecting the alleged refund referred to by petitioners. If there was indeed any refund of the purchase price, the petitioners should have, at least, produced admissible evidence of such theory of refund.

Furthermore, if the purchase price of P28,000.00 was never paid, why did the spouses Ramirez, as vendors, not rescind the first sale on the ground of non-payment in full of the purchase price? This omission was never explained by the petitioners. Succinct and unmistakable is the provision of Article 1191 of the New Civil Code under which rescission of the sale is a remedy available to an unpaid vendor. A contract of sale is reciprocal and bilateral. Thus, if the vendee of the first sale, the late Maria vda. de Ramos, never performed her reciprocal obligation to pay the full consideration of the said sale, the aggrieved vendors, spouses Agustin Ramirez and Aniceta Ramirez, who are now in the great beyond, could have brought an action for the rescission of the first sale. That they did not take such proper recourse could only mean that there was no ground for them to avail of the remedy of rescission inasmuch as the purchase price of the first sale was fully paid, after all.

Sustainable is the opinion of the Court of Appeals that the letter of Atty. Muntuerto to Atty. Ong aforementioned could not be used as evidence against the deceased, Maria vda. de Ramos, who “no longer had the opportunity to refute the truth of the statement.”[24] Equally impressed with merit is the finding of the same appellate court - that private respondent Benedicto Ramos was unaware of any flaw afflicting his title, as could be deduced from the letter of Atty. Ong to Aniceta Ramirez, demanding delivery of Transfer Certificate of Title No. T-21560 covering subject property. The said letter evinced private respondent Benedicto Ramos’ good faith and complete trust in his rightful ownership of the said parcel of land, without knowing any defect in his title thereto.

With the foregoing disquisition leading to the ineluctable conclusion that the first sale, entered into by Agustin Ramirez, with marital consent, and Maria vda. de Ramos, was lawfully consummated, it stands to reason and conclude that the subsequent deed of sale made by the heirs of Agustin Ramirez in favor of the herein petitioner Vicente Aniñon, over the same parcel of land was void, sans any force and effect, for the simple reason that they (heirs of Agustin Ramirez) had no right to sell the parcel of land in question which they never inherited. To repeat, the said parcel of land was validly conveyed, in a manner absolute and irrevocable, to the late Maria vda. de Ramos, who acquired absolute ownership thereover, so much so that upon her demise, her sole heir, the herein private respondent Benedicto Ramos, became the owner thereof by hereditary succession.

The next to pass upon is the third assigned error vis-a-vis the real nature of the transaction entered into by and between Benedicto Ramos and Vicente Aniñon. Was the instrument of sale inked in favor of petitioner Vicente Aniñon an equitable mortgage, in actuality? As heretofore stated, the Court of Appeals ruled in the affirmative, citing Article 1602 of the Civil Code, which reads:

Art. 1602. The contract shall be presumed to be an equitable mortgage, in any of the following cases:

- (1) When the price of a sale with right to repurchase is unusually inadequate;
- (2) When the vendor remains in possession as lessee or otherwise;
- (3) When upon or after the expiration of the right to repurchase another instrument extending the period of redemption or granting a new period is executed;
- (4) When the purchaser retains for himself a part of the purchase price;
- (5) When the vendor binds himself to pay the taxes on the thing sold;
- (6) In any other case where it may be fairly inferred that the real intention of the parties is that the transaction shall secure the payment of a debt or the performance of any other obligation.

In any of the foregoing cases, any money, fruits, or other benefit to be received by the vendee as rent or otherwise shall be considered as interest which shall be subject to the usury laws. (n)

The Court of Appeals based its finding of an equitable mortgage on paragraphs 1 and 2 of the aforecited law in

point because the price or consideration of the supposed sale was considered unusually inadequate, and the vendor, private respondent Benedicto Ramos, continued to possess the property transacted upon even after the execution of the deed of sale, thereby bringing the contract within the purview of Article 1602, N.C.C.

To be sure, records on hand show by preponderance of evidence, that the Deed of Sale litigated upon was, in reality, one of equitable mortgage. Even assuming that the conclusion by the Court of Appeals on the inadequacy of the purchase price could be anemic of evidentiary backing, the contemporaneous and subsequent acts of the parties portrayed or signified that the “sale” was, in truth and in fact, an equitable mortgage.

Paragraphs (2) and (6) of Article 1602 apply in view of the undeniable fact that the vendors did not relinquish possession of the property even after the sale and, as earlier stressed upon, the document of sale they signed was only to secure payment of a debt or performance of an obligation. Verily, vendor Benedicto Ramos clung to the possession of the property, after the deal in 1977, and his possession was undisturbed until 1985, when an ejectment suit was instituted against him by petitioner Vicente Aniñon. But, again, in such ejectment case, private respondent Benedicto Ramos categorically and unequivocally narrated before the trial court that the sale being impugned was just devised to secure payment of a debt or performance of an obligation.[25]

It should also be noted that on December 20, 1984, the petitioner, Vicente Aniñon, bought the same property from the heirs of Agustin Ramirez. If the Deed of Sale executed in 1977 by private respondent Benedicto Ramos and petitioner Vicente Aniñon was truly a sale, why did petitioner Vicente Aniñon agree to buy the same property from the Ramirezes in 1984? The second purchase made by petitioner Vicente Aniñon of the same property has reinforced private respondents’ submission that the Deed of Sale in 1977 was merely to secure payment of a debt or performance of an obligation.

Well settled to the point of being elementary is the doctrine that where the vendor remains in physical possession of the land as lessee or otherwise, the contract should be treated as an equitable mortgage.[26] And the real intention of the parties is determinative of the true nature of the transaction.[27]

In light of the foregoing ratiocination and conclusion, the fourth assignment of errors has neither legal nor factual basis.

WHEREFORE, the Decision of the Court of Appeals in C.A.-G.R. CV No. 15013 is hereby **AFFIRMED** en toto. No pronouncement as to costs.

### **SO ORDERED.**

Narvasa, CJ. (Chairman), Romero and Kapunan, JJ., concur.

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[1] Eight Division, composed of Associate Justices Luis A. Javellana (ponente), Felipe B. Kalalo, and Abelardo M. Dayrit.

[2] Presided by Judge Juan Y. Reyes.

[3] Original Record, pp. 6-7.

[4] Record of Documentary Evidence, pp. 1-2.

[5] Ibid., pp. 5-6.

[6] Ibid., p. 3.

[7] Ibid., p. 4.

- [8] Original Record, pp. 1-9.
- [9] Ibid., pp. 11-15.
- [10] Ibid., pp. 16-36.
- [11] Ibid. pp. 37-39.
- [12] Ibid., pp. 44 -45.
- [13] Rollo, pp. 46-53.
- [14] Original Record, p. 98.
- [15] Rollo, pp. 35-41.
- [16] Ibid., p. 37.
- [17] Original Record, p. 39.
- [18] Ibid., pp. 54-57.
- [19] Ibid., pp. 58-64.
- [20] Ibid., pp. 43-45.
- [21] Ibid., p. 44.
- [22] Bautista v. Sioson, 39 Phil. 615; Lichauco v. Berenguer, 39 Phil. 643; Cruz v. Cabana, 129 SCRA 656.
- [23] Republic vs. Court of Appeals, 258 SCRA 721, 722; Valenzuela vs. Court of Appeals, 253 SCRA 313.
- [24] Rollo, p. 44.
- [25] Transcript of Stenographic Notes, January 24, 1986, p. 31.
- [26] Olea vs. Court of Appeals, 247 SCRA 274; Lazatin vs. Court of Appeals, 211 SCRA 129; Capulong vs. Court of Appeals, 130 SCRA 245.
- [27] Camus vs. Court of Appeals, 222 SCRA 612; Capulong vs. Court of Appeals, 130 SCRA 245.

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