

**MAURICIO N. CACHOLA, SR., REPRESENTED BY HIS
ATTORNEY-IN-FACT, NILO C. CACHOLA, PETITIONER, VS. HON.
COURT OF APPEALS AND SPS. FEDERICO BRIONES AND TRINIDAD
ENCINAS, RESPONDENTS.**

G.R. No. 97822. May 07, 1992

Ponente: GUTIERREZ, JR., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-97822/>

GUTIERREZ, JR., J.:

The issue raised in this petition is whether the contract involving the real property in this case, i.e., a house and lot, at No. 10 Langka St., Project 2, Quezon City with an area of 236.30 square meters, is one of sale or an equitable mortgage.

On July 30, 1973, the respondent spouses Federico Briones and Trinidad Encinas, as the registered owners of the above-named property under Transfer Certificate of Title (TCT) No. 72398 mortgaged the same to Benjamin Ocampo as a security for a loan of P15,000.00. For failure of the spouses to pay the loan, Ocampo caused the foreclosure of the real estate mortgage and the subsequent sale of the property at public auction. Ocampo being the highest bidder, purchased the property at the auction. A certificate of sale was executed in his favor.

The respondents were able to exercise their right of redemption within the one-year period from the auction sale by paying P19,876.80 plus accrued interests and taxes. This was made possible through a loan of P40,000.00 obtained from petitioner, the late Mauricio Cachola and his co-defendant in Civil Case No. Q-45163 for annulment of deed of sale, Angelina Alfaras. This second loan was evidenced by a promissory note executed by the spouses Briones duly signed by them dated March 11, 1975, but subscribed before a notary public on March 13, 1975. The promissory note states:

March 11, 1975

P40,000.00

Six (6) months after date, we promise to pay to the Order of MAURICIO N. CACHOLA the sum of FORTY THOUSAND PESOS (P40,000.00), Philippine Currency, plus 1% interest per month, subject to the terms and conditions of the agreement (Kasunduan) which was executed by the parties. Value received.

(SGD) FEDERICO V. BRIONES (SGD) TRINIDAD E. BRIONES

The loan was also evidenced by a "Kasunduan" (Records, pp. 244-245) between the petitioners, on the one hand, and the respondent spouses, on the other signed on March 13, 1975 containing the same stipulation for payment. The Kasunduan recognized the full ownership by the respondents. There was also a stipulation that after the properties shall have been redeemed from Ocampo, the title should be placed in the hands of Cachola for the purpose of securing the loan. Hence, another real estate mortgage was entered into by virtue of the Kasunduan over the same house and lot in favor of petitioner Cachola. TCT No. 72398 was placed under the custody of Angelina Alfaras on behalf of the petitioner.

The respondent spouses failed to pay any amount within the stipulated six month period and even afterwards.

On January 30, 1976, petitioner executed a Release of Mortgage (Exhibit "4" for the defendants, See Records, p. 420). A Deed of Absolute Sale of the properties (Exhibit "5", Records, p. 421) was entered into by the parties for P60,000.00, on the same date. TCT No. 72398 in the name of Federico Briones was cancelled and TCT No. 216104 was issued by the Register of Deeds of Quezon City in favor of Mauricio Cachola.

Sometime in 1977, the petitioner filed an unlawful detainer suit against the respondents-spouses before the City Court of Quezon City, Br. III. In February of 1978, the latter were ejected by the court sheriff on the strength of a writ of execution.

In June 1979, the respondents filed a suit for annulment of the deed of absolute sale and annulment of the unlawful detainer judgment before the Court of First Instance – Rizal, Quezon City, Br. XVIII. This case was dismissed, without prejudice on February 24, 1981 for failure to prosecute.

On November 9, 1981, the subject property was conveyed by Cachola to his son Ebenezer Cachola by way of donation inter vivos. The transfer by donation was registered with the Register of Deeds of Quezon City so that TCT No. 216104 of Mauricio Cachola was cancelled and a new one, TCT No. 339434 in the name of Ebenezer Cachola was issued.

On June 10, 1985, the respondents filed the instant case, Civil Case No. Q-45163 against the petitioner and Angelina Alfaras before the Regional Trial Court, Quezon City, Branch 76 again for: annulment of the deed of absolute sale, cancellation of TCT No. 216104 of the petitioner and annulment of the unlawful detainer judgment. The trial court ruled that the action for annulment of the deed of sale on the ground of fraud had already prescribed, and that the contract entered into was not one of absolute sale but an equitable mortgage because of the gross inadequacy of the price of the sale. Thus, it ordered the cancellation of TCT No. 216104 issued in the name of Mauricio Cachola and the subsequent deed of donation, and the revival of TCT No. 72398. The court also ordered Cachola to reimburse the balance of rentals received from the lease on the property after the respondents vacated it.

On appeal, the decision of the trial court was affirmed with modifications. Hence, this petition for review on certiorari.

On July 29, 1991, this Court denied the petition in a minute resolution. However, after carefully reviewing the records in view of the grounds raised in the motion for reconsideration, we gave it due course.

It is a general rule that in cases appealed from the Court of Appeals through a petition under Rule 45 of the Rules of Court, the Supreme Court limits itself to the review of errors of law and accepts the factual findings of the appellate court as more or less conclusive. The rule, however, is subject to certain exceptions which constrain the Court to make its own determination of the facts of the case. Among the exceptions are: "(1) when the conclusion is a finding grounded entirely on speculations, surmises or conjectures; (2) when the inference made is manifestly absurd, mistaken or impossible; (3) when there is grave abuse of discretion in the appreciation of facts; (4) when the judgment is premised on a misapprehension of facts; (5) when the findings of fact are conflicting; and (6) when the Court of Appeals in making its findings went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee." (Ronquillo v. Court of Appeals, 195 SCRA 433 [1991]; Bunag v. Court of Appeals, et al., 158 SCRA 299 [1988]).

After a careful re-examination of the records as well as the decisions of the two courts below, the Court is convinced that the evidence is wanting to substantiate the conclusion that a contract which in form and substance is a deed of sale is actually an equitable mortgage.

The questioned decision is based on the following: 1) the gross inadequacy of the price; 2) the fact that the respondents-vendors remained in possession of the property after the execution of the questioned deed of absolute sale; and 3) the respondents, being old and knowing no English, could not have intelligently understood the document they signed.

The petitioner contends that the trial court relied heavily and solely upon the self-serving testimony of Federico Briones who stated that he could not have sold the property for P60,000.00 to the petitioner because he had refused to sell it to Benjamin Ocampo for P75,000.00 - a price he regarded to be far lower than his alleged selling price of P400,000.00. (TSN, August 20, 1987, p. 6) The petitioner asserts that the statement of Federico Briones was not corroborated by other evidence. Therefore, it should not have been given credit. He said that the failure to present Ocampo to prove the latter's offer to buy and Briones' refusal to accept it for a consideration of P75,000.00, or the non-presentation in court of a realtor or the city assessor who could render expert opinion to confirm the correctness of Briones' supposed selling price according to 1976 prices, only means that such other persons' testimony would otherwise be adverse to the position of respondents if given.

We agree with the petitioner. It is not clear from the sole testimony of the respondent himself why somebody should offer to buy his house and lot worth P400,000.00 for only P75,000.00. There is nothing in the records that show that the house and lot in Project 2 were worth P400,000.00 in 1976. Nowhere in the text of the trial court decision is there a basis to show that the stipulated price of P60,000.00 is below the market values prevailing in 1976 for a house and lot in Quezon City with an area of 236.30 square meters. The inference deduced by the trial court would have been convincing and plausible had there been a standard or guide with which a person can reasonably determine the contract price to be truly abnormally inadequate. Without that standard, a judgment attaching great weight to the lone testimony of Federico Briones on that point stands on shaky grounds.

The Court holds that even assuming that the consideration was below standard, it was not unusually inadequate during that time. Besides, inadequacy of the price does not by itself support the conclusion that the property was not at all sold to the petitioner or that the contract was a loan. Inadequacy is not sufficient to set aside a sale unless it is purely shocking to the conscience (*Vda. de Cruz v. Carriaga*, 174 SCRA 330 [1989]; and *Prudential Bank v. Martinez*, 189 SCRA 612 [1990]).

An equitable mortgage is "one which although it lacks some formality, form of words or other requisites prescribed by a statute, show(s) the intention of the parties to charge a real property as security for a debt and contains nothing impossible or contrary to law." (*Vda. de Zulueta v. Octaviano*, 121 SCRA 314 [1983], quoting *Outline of Civil Law*, J.B.L. Reyes and R.C. Puno)

The plain terms of the Deed of Absolute Sale of January 30, 1976 (Exhibit "E" for the plaintiffs/petitioners) and the circumstances of the case do not suggest an unequivocal intention to make the property answerable for the P40,000.00 debt after the lapse of the six-month period from March 13, 1975 to September 13, 1975 within which the respondent spouses were expected to pay their obligation. There was nothing to show an agreement that the parties recognized the continued ownership of the spouses Briones.

The words of the contract are clear and leave no doubt as to the desire of the spouses to transfer the property by way of sale to the petitioner. No other meaning could be given to the terms and stipulations of the contract but their literal meaning. (Article 1370, New Civil Code). The contract was proper in form. It was properly executed and signed by each of the spouses and by Cachola on its second page as well as on the left hand margin of every page. It was acknowledged by a notary public. The contract stipulates:

"That the VENDORS have offered to sell to the VENDEE and the latter agreed to buy from the former the said portion of land and house and all with all the buildings and improvements existing thereon, covered by

Transfer Certificate of Title No. 72398.

"That for and in consideration of the sum of SIXTY THOUSAND (P60,000.00) Pesos, Philippine Currency, which the VENDORS hereby SELL, CONVEY, and TRANSFER by way of Absolute Deed of Sale to the said VENDEE, his heirs, administrators, assigns, upon the signing of this Deed such receipt of the full amount thereof is being acknowledged by the herein VENDORS with their signatures herein below;

"That the above property is free from all liens and encumbrances;

"WHEREFORE, for and in consideration of the foregoing premises, and of the sum of SIXTY THOUSAND PESOS (P60,000.00) Philippine Currency, the VENDORS hereby SELL, CONVEY and TRANSFER by way of Absolute Deed of Sale, the above cited parcel of land together with all the buildings and improvements existing thereon, with an area of TWO HUNDRED THIRTY SIX SQUARE METERS AND THIRTY DECIMETERS (236.30), unto the above named VENDEE, his heirs, administrators and/or assigns." (Rollo, p. 421)

No intention to the contrary can be derived especially if we consider further the release of the real property mortgage constituted through the Kasunduan. The existence of the Release of Mortgage was never disputed by the respondents. In that document, petitioner discharged the mortgage for P40,000.00, an amount which he stated therein to have been received in full by the respondents. (See Records, p. 420, Release of Mortgage).

The petitioner asserts that the release was executed only because the respondents offered to sell the house and lot to him after the expiration of the period for them to pay. The Court finds merit in the contention of the petitioner as this fact was not denied by the respondents with supporting evidence. The respondents denied having actually sold the property by alleging lack of knowledge and correct understanding of the papers they signed. They claimed to have been cheated on account of their lack of sufficient education and knowledge of English. Their alleged ignorance of the documents is, however, doubtful considering the inconsistencies as to which among the documents, i.e., the Kasunduan, the Promissory Note, and the Deed of Absolute Sale, each of the spouses signed in blank. (TSN, August 27, 1987, pp. 21-24, pp. 27-28) While admitting the specimen signatures to be theirs, they expressed incredulous surprise as to how some of those signatures appeared on certain pages of the documents. (TSN, August 27, 1987, p. 18; TSN, October 26, 1987, p. 20) They claimed to have been invited by Angelina Alfaras to the house of one Atty. Pablo Atienza to sign a Kasunduan and a promissory note without receiving the full value of the loan. They claimed that the blank paper they signed was made part of a spurious document.

In all the instances in which the respondents were requested to sign, there was, however, no proof that they were pressured, forced or intimidated by Alfaras or Atty. Atienza. To bolster the fact that there was no sale agreed upon, they insist on their having been persuaded to sign because of a promise to be given the balance of P20,124.20 out of the P40,000.00 loan. They argue that they had so far received only the P19,876.80 that was used to redeem the property from Ocampo. Apart from these allegations and testimonies referring to "deceitful manipulations," the respondents showed no other evidence.

The allegations of respondents were given in negative form regarding the existence of the Deed of Absolute Sale. It is a rule that: "When a negative is averred in a pleading, or a plaintiff's case depends upon the establishment of a negative, and the means of proving the fact are equally within the control of each party, then the burden of proof is upon the party averring the negative." (Francisco, Vicente on Evidence, Vol. VII, Revised Rules of Court, 1973, p. 13, citing 2 Jones on Evidence, Sec. 494) In this case, the burden of proof was upon the respondents who deny having signed a deed of sale which they claim was fictitious and fraudulently obtained by the petitioner and Ms. Alfaras.

The Court is of the opinion that the respondents' attempts to establish the fact of having been misled into selling

are woefully inadequate. The respondents wanted to nullify later what they fully knew at the time of the contract would deprive them of ownership as a consequence.

The fact that the respondents-vendors remained for a while in possession of the property is not a compelling reason to depart from the view that there was indeed a sale. A mortgagee who decides to discharge a mortgage and who directly purchases the property from the mortgagors upon an offer to sell, instead of resorting to foreclosure proceedings, will naturally want to take possession over the property. Unless by simple tolerance or by contract of lease he allows other persons to occupy the premises, he has every right to use it for his own purposes and reap income therefrom. The petitioners state that they were not too happy about the respondents not moving out within a short period from the sale and the fact that they had to file an ejectment suit. The subsequent filing of an ejectment suit after a year during which the respondents withheld possession indicates an assertion of the right of new ownership by the petitioner. The payment of realty taxes by the petitioner as owner also establishes the fact that there was really a disposition in his favor by way of sale. (*Vda. de Zulueta v. Ortaviano*, supra) The respondents cannot therefore sweepingly expect us to rely on their continued occupancy to prove that there was only a loan.

The Court is not impressed that the true intention of the parties was only to charge the property as a security for a debt. If the questioned contract was an equitable mortgage, why would the amount appear therein to be P60,000.00 instead of P40,000.00? Does that mean that the P40,000.00 loan was thereafter novated or increased by P20,000.00 notwithstanding their insistence that out of the original amount, only the P19,876.80 necessary to redeem the property from the first mortgagee was received from Cachola and Alfaras?

It is hard to believe the respondents' theory that after having been fooled into signing a promissory note without actually receiving the balance of what was being borrowed, they would have willingly submitted themselves to another precarious situation in which they would irresponsibly affix their signatures on a "blank piece of paper." Their propositions are readily overcome just by looking at the face of the subject contract which contains the legibly written signatures of the respondents-spouses not only on the spaces above the typewritten names on page two of the deed of absolute sale but also on the left hand margin of each of the two paged document and which appears regular in every respect. (See Records, pp. 421-422)

The Court concludes that the respondents were fully aware of the contents and meaning of the three documents they signed including the Deed of Absolute sale. There was no act done or event that occurred simultaneous to, or after the execution of the contract of sale that would manifest the intention of the parties to have been otherwise, and that would alter substantially the vendor-vendee relations between the parties expressly stated in the agreement. The contract could not have been a reiteration of the mortgage for the P40,000.00 loan, the period for payment of which had already lapsed since September 13, 1975. The debt was overdue as of the date of execution of the sale on January 30, 1976.

The contents of the written contract are replete with all the terms agreed upon. The vendors freely consented to the sale and agreed to the amount of consideration. The vendee, on the other hand, made certain that the agreement was put in a public instrument duly signed by all the parties involved, witnessed by at least two other persons of legal age and notarized.

Years after the execution of the deed, the respondents did not do anything to question the alleged grossly inadequate price in the contract. Their action filed in June 1985 to annul the deed of absolute sale and the judgment for eviction is rather belated. The lower court correctly ruled that the suit had prescribed. Thus, the contract of sale was not rendered invalid by the silence of the respondents.

Worthy of note is the finality and satisfaction of the judgment of eviction at the time the case was filed first in

1979 and then again in 1985. We have ruled in *Alvendia v. Intermediate Appellate Court*, 181 SCRA 252 [1990] that "there is no justification in law and in fact for the reopening of a case which has long become final and which has in fact been executed." In that case, the petitioner therein assailed the appellate court's order allowing the judgment debtors in a case for collection of a sum of money to pay the judgment debt in cash long after their failure to redeem the properties sold on execution. In effect, the appellate court nullified the execution of the trial court judgment. The Court applies the same ruling to the instant case where the unlawful detainer judgment has long been satisfied:

"Time and again this Court has said that the doctrine of finality of judgments is grounded on fundamental considerations of public policy and sound practice that at the risk of occasional error the judgments of courts must become final at some definite date fixed by law.

x x x x x x x x

"x x x Hence, as ruled by this Court, when judgment has been satisfied, the same passes beyond review, for satisfaction thereof is the last act and end of the proceedings." (*Alvendia v. IAC*, pp. 261-263)

The argument pointing to the alleged violation of the respondents' right to due process in not having been notified of the existence of the ejectment suit, the pleadings filed, the processes, judgment and writ of execution is of no moment. The spouses' Briones knew all along that they were occupying the premises not anymore in the concept of owner but only as mere possessors because they had sold the property. They should have expected the ouster as a consequence.

Considering that the price of the deed was not extraordinarily inadequate, that it was the vendee who paid the realty taxes due on the property, and that the vendors were not the lawful possessors thereof prior to their eviction, the Court is constrained to uphold the validity of the contract of sale in favor of petitioner Mauricio Cachola and the subsequent donation inter vivos to Ebenezer Cachola. The issuance of TCT No. 216104 in the name of the petitioner, the registration of the deed of donation, and the issuance of TCT No. 339434 in the name of Ebenezer Cachola are valid.

In view of the foregoing, the Court holds that none of the circumstances in Article 1602 of the Civil Code which would raise the presumption of equitable mortgage, in relation to Article 1604 of the same Code pertaining to a contract purporting to be an absolute sale, exists in the case at bar. All discussions made by the respondent court on rentals being considered as interest are rendered irrelevant.

At this point the Court finds the award of P10,000.00 to respondents as attorney's fees to be without factual and legal basis. The petitioner has not acted in any manner that compelled the plaintiffs?respondents to litigate or incur expenses to protect their interests. If at all, it was the petitioner who was constrained to defend himself and appeal his case up to this Court.

WHEREFORE, the petition is hereby GRANTED and the decision of the respondent Court of Appeals is SET ASIDE and REVERSED. The deed of donation executed by Mauricio N. Cachola in favor of Ebenezer C. Cachola and the Transfer Certificate of Title No. 339434 issued in the name of the latter are ordered retained in the records of the Register of Deeds of Quezon City.

Feliciano, Bidin, Davide, Jr., and Romero, JJ., concur.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.