

JESUS F. IGNACIO, PETITIONER, VS. THE HON. COURT OF APPEALS (FORMER FIRST DIVISION), RENATO G. YALUNG AND MARINA T. YALUNG, RESPONDENTS.

G.R. No. 98920, July 14, 1995

Ponente: QUIASON, J.

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QUIASON, J.:

This is a petition for review on certiorari under Rule 45 of the Revised Rules of Court to set aside the Decision dated March 4, 1991 of the Court of Appeals in CA-G.R. CV No. 19047, and its Resolution dated April 29, 1991 denying reconsideration of the decision.

I

On December 24, 1987, petitioner, in consideration of P1,000,000.00, purchased under a pacto de retro contract from private respondents a house and lot of 624 square meters located at No. 13 Narra Street, Valle Verde III, Pasig, Metro Manila. The property is covered by Transfer Certificate of Title (TCT) No. 64873 and registered in the name of "Renato G. Yalung xxx married to Marina Toledano" issued by the Acting Register of Deeds for Metro Manila District II (Province of Rizal) on December 24, 1987, the very same day the agreement was entered into (Exhs. A and A-1, Records, p. 20).

The agreement was evidenced by a public instrument entitled "Deed of Sale Under Pacto de Retro" executed and duly signed by petitioner and respondent Renato G. Yalung, with the marital consent of his wife, respondent Marina T. Yalung (Exhs. B and B-1, Records, pp. 21-22). Therein, the parties agreed that private respondents be granted the right to repurchase the property sold within 90 days from December 24, 1987, for the same consideration of P1,000,000.00 plus 5% interest thereon. The deed, in pertinent part, reads as follows:

"That the VENDOR, for and in consideration of the sum of ONE MILLION PESOS (P1,000,000.00), Philippine Currency, to him in hand paid and receipt whereof is hereby acknowledged, does hereby SELL, TRANSFER, and CONVEY, under PACTO DE RETRO unto the said VENDEE, his heirs and assigns, the above-described property with all the buildings and improvements thereon, free from all liens and encumbrances whatsoever;

"That the VENDOR, in executing this conveyance hereby reserves the right to REPURCHASE, and the VENDEE, in accepting same hereby obligates himself to RESELL the property herein conveyed within a period of ninety (90) days from and after the date of this instrument for the same price of ONE MILLION PESOS (P1,000,000.00), Philippine Currency; PROVIDED, HOWEVER, that if the VENDOR shall fail to exercise his right to repurchase as herein granted within the period stipulated, then this conveyance shall become absolute and irrevocable, without the necessity of drawing up a new deed of absolute sale, subject to the requirements of the law regarding consolidation of ownership of real property" (Rollo, p. 69; Exh. B-1, Records, p. 22).

Private respondents failed to repurchase the property within the 90-day period despite an extension of five days

granted them (Exh. C, Records, p. 24).

On April 19, 1988, petitioner filed with the Regional Trial Court, Branch 151, Pasig a petition for consolidation of ownership, entitled "In Re: Petition to Consolidate Ownership Under Pacto de Retro Sale, Jesus F. Ignacio, Petitioner versus Renato Yalung and Marina T. Yalung, Respondents." The petition was filed as a land registration case and docketed as LRC Case No. R-3936.

Private respondents filed a Manifestation admitting the execution of the "Deed of Sale under Pacto de Retro." They claimed, however, that the parties only intended to enter into an equitable mortgage to secure prompt payment of the loan given them by petitioner. They alleged that the interest rate of the loan was "unconscionable, excessive and unreasonable" and that notwithstanding the sale, they had remained in actual possession of the property. These circumstances according to them qualified the agreement as one of equitable mortgage under Articles 1602 (1) and (2) and 1603 of the Civil Code of the Philippines (Rollo, pp. 37-38). They prayed for the dismissal of the petition or, in the alternative, for the declaration of the deed of sale as an equitable mortgage (Rollo, p. 38).

After trial, the court a quo rendered on August 9, 1988 a decision granting the petition and upholding the "Deed of Sale Under Pacto de Retro." It found that both parties clearly and unquestionably intended a sale under pacto de retro, not an equitable mortgage. It thus ordered the Register of Deeds of Rizal to cancel TCT No. 64873 and issue another transfer certificate of title in the name of petitioner. The dispositive portion of the decision reads as follows:

"WHEREFORE, judgment is hereby rendered in favor of the petitioner and against the respondents, consolidating the title to that real property covered by Transfer Certificate of Title No. 64873 of the Register of Deeds for Metro Manila II (Pasig, Metro Manila) in the name of petitioner Jesus F. Ignacio; declaring null and void said TCT No. 64873; and ordering the Register of Deeds of Rizal to cancel said TCT No. 64873 and to issue, in lieu thereof, another transfer certificate of title in favor and in the name of Jesus F. Ignacio" (Rollo, p. 174).

Private respondents appealed to the Court of Appeals raising the issue of lack of jurisdiction of the land registration court over the case.

On March 4, 1991, the Court of Appeals granted the petition and reversed the decision of the trial court. The appellate court declared that the Regional Trial Court sitting as a land registration court had no jurisdiction over the petition for consolidation of title, which is an ordinary civil action pursuant to Article 1607 of the Civil Code. The Court of Appeals dismissed the land registration case "without prejudice to the filing of another action with the proper court" (Rollo, p. 29).

Hence, this petition.

II

There is no dispute that an action for consolidation of ownership for failure of the vendor to redeem the mortgaged property must be filed as an ordinary civil action, not as a land registration case (Rollo, p. 23).

Generally, an issue properly litigable in an ordinary civil action under the general jurisdiction of the Regional Trial Court should not be resolved in a land registration proceeding. However in this jurisdiction, the Regional Trial Court also functions as a land registration court. If the parties acquiesced in submitting the issue for determination in the land registration proceeding and they were given full opportunity to present their respective sides and evidence, then the defendants are placed in estoppel to question the jurisdiction of the said court to pass upon the issue (Zuniga v. Court of Appeals, 95 SCRA 740 [1980]; Florentino v. Encarnacion, Sr., 79 SCRA 192

[1977]; *Manalo v. Mariano*, 69 SCRA 80 [1976]).

Indeed, a Regional Trial Court is a court of general jurisdiction, and whether a particular issue should be resolved by it in its limited jurisdiction as a land registration court is not a jurisdictional question. It is a procedural question involving a mode of practice which may be waived (*Santos v. Ganayo*, 116 SCRA 431 [1982]; *Manalo v. Mariano*, *supra*, at 89).

In the case at bench, private respondents did not move to dismiss the petition before the land registration court. They, in fact, filed a Manifestation admitting the due execution and genuineness of the "Deed of Sale Under Pacto de Retro" and invoking the jurisdiction of the court to declare the said deed as one of equitable mortgage. They went to trial and presented evidence consisting of documents and the testimony of respondent Renato Yalung (Records, pp. 30-31; TSN, July 14, 1988, pp. 1-17). It was only after the decision of the land registration court and in their appeal before the Court of Appeals that they challenged the jurisdiction of the trial court. They are now deemed to have waived their right to question the jurisdiction of said court.

Moreover, the distinction between the general jurisdiction vested in the Regional Trial Court and its limited jurisdiction when acting as a land registration court, has been eliminated by P.D. No. 1529, otherwise known as the Property Registration Decree of 1979 (*Quiroz v. Manalo*, 210 SCRA 60 [1992]; *Philippine National Bank v. International Corporate Bank*, 199 SCRA 508 [1991]; *Averia, Jr. v. Caguioa*, 146 SCRA 459 [1986]). This amendment was aimed at avoiding multiplicity of suits and at expediting the disposition of cases. Regional Trial Courts now have the authority to act not only on applications for original registration but also over all petitions filed after the original registration of title, with power to hear and determine all questions arising from such applications or petitions. Indeed, the land registration court can now hear and decide controversial and contentious cases and those involving substantial issues (*Quiroz v. Manalo*, *supra*, at 67; *Philippine National Bank v. International Corporate Bank*, *supra*, at 514-515; *Vda. de Arceo v. Court of Appeals*, 185 SCRA 489 [1990]).

In the instant case, the trial court, although sitting as a land registration court, took cognizance of the petition as an ordinary civil action under its general jurisdiction. The court did not decide the case summarily, but afforded both petitioner and private respondents the opportunity to present their respective documentary and testimonial evidence. Ordinary pleadings and memoranda were likewise filed. The decision of the trial court squarely addressed all the issues raised by the parties and applied substantive law and jurisprudence.

Reviewing the records, we agree with the trial court that the "Deed of Sale Under Pacto de Retro" cannot be considered as an equitable mortgage. The mere fact that the price in a pacto de retro sale is not the true value of the property does not justify the conclusion that the contract is one of equitable mortgage (*Belonio v. Novella*, 105 Phil. 756 [1959]; *Feliciano v. Limjoco*, 41 Phil. 147 [1920]; *De Ocampo v. Lim*, 38 Phil. 579 [1918]). In a pacto de retro sale, the practice is to fix a relatively reduced price to afford the vendor a retro every facility to redeem the property (*Vda. de Lacson v. Granada*, 1 SCRA 876 [1961]; *Belonio v. Novella*, *supra*). Moreover, private respondents have not been in actual possession of the subject property. They had been leasing it out at the time the deed was executed (Exh. 6, Records, p. 39; TSN, July 14, 1988, p. 12).

Private respondent Renato Yalung, a college degree holder and a businessman for more than 15 years, admitted on cross-examination that he fully understood the terms of the "Deed of Sale Under Pacto de Retro" (TSN, July 14, 1988, pp. 10-11). When the terms of a contract clearly show that it is one of sale with right of repurchase, it must be interpreted according to its literal sense, and held to be such a contract (*Ordonez v. Villaroman*, 78 Phil. 116 [1947]; *Paguio v. Manlapid*, 52 Phil. 534 [1928]).

The records do not show that private respondents have exercised their right to repurchase or at least tendered the redemption price for the property (cf. *State Investment House, Inc. v. Court of Appeals*, 215 SCRA 734 [1992]).

WHEREFORE, the petition for certiorari is GRANTED and the Decision dated March 4, 1991 and the Resolution dated April 29, 1991 of the Court of Appeals in CA-G.R. CV No. 19047 are REVERSED and SET ASIDE. The Decision of the Regional Trial Court dated August 9, 1988 in LRC Case No. R--3936 is REINSTATED.

Padilla, (Chairman), Davide, Jr., and Kapunan, JJ., concur.

Bellosillo, J., on leave.

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