

MACARIO FELICIANO, PLAINTIFF AND APPELLANT, VS. VICENTA LIMJUCO AND ANTONIA CALACALZADA, DEFENDANTS AND APPELLEES.

G. R. Nos. 15657 and 15658. November 10, 1920

Ponente: VILLAMOR, J.

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VILLAMOR, J.:

In this appeal the question submitted to this Supreme Court relates to the validity of a contract of sale of land with the right of repurchase, the vendors continuing in possession of the land as lessees during the period fixed for repurchase.

The appellant, who is the vendee in this contract, presented in the justice of the peace court of Santa Cruz, Laguna, about the month of November, 1916, a complaint of unlawful entry and detainer against the vendors on the ground of failure to pay rent. Trial was held and the defendants were sentenced to pay P112.50 for rent in arrears and that which might afterwards fall due until possession of the land should be surrendered, and, furthermore, to pay the costs. Vicenta Limjuco, one of the defendants, appealed from the judgment of the justice of the peace to the Court of First Instance of Laguna. The plaintiff relied upon his former complaint and the defendant answered by means of a general denial, and, by way of special defense, alleged that the document, Exhibit A of the plaintiff, is null and false; that she had not entered into any contract of sale with the right of repurchase and of lease of the land described in the document; that the document executed by her was a guaranty to secure the payment of the sum of P500 which a Chinaman named Tan Cawa had borrowed from Don Juan Feliciano y hermanos, part in the month of May and part on July 2, 1916. The defendant Vicenta Limjuco also alleged that the land had an assessed value of more than P3,000 and would produce more than P6,000 if sold.

That appeal was duly heard in the Court of First Instance of Laguna then presided by the Hon. Judge Manuel Camus. The parties presented evidence, not only with respect to the lease and its effects, but also with respect to the ownership of the plaintiff in view of the questions raised by the answer of the defendant.

While the case was pending in the Court of First Instance of Laguna, Vicenta Limjuco presented therein a complaint against Macario Feliciano for the annulment of the contract in question, alleging that she was the owner and possessor of the land in dispute; that in June, 1913, the defendant Macario Feliciano, with the deliberate intention to defraud and injure the plaintiff, executed a document in which he made it appear that the plaintiff had sold to him with pacto de retro the land in question for the sum of P500; that said document of sale is completely false for the plaintiff never executed it or received of the defendant the sum of P500, which was the alleged purchase price; that the land described was leased to Braulio Feliciano and his children; that the value of said property on the date of the execution of the false document was P6,000 and at present more than that; that because of the fraudulent and illegal acts performed by the defendant Macario Feliciano, the plaintiff suffered damages in the sum of P2,000. And she asked the court to render judgment, annulling said sale with the right to repurchase, and sentencing the defendant Macario Feliciano to pay damages and the costs.

The defendant answered the complaint, denying generally and specifically all the allegations of the complaint.

After hearing the evidence in both cases the court on April 25, 1918, rendered a single decision in both of them, absolving the defendants in the action of unlawful entry and detainer, and declaring, in the case concerning the annulment of a contract, that the sale with the right to repurchase, now in question, is null and of no value as such contract and should be considered as a guaranty given to secure the payment of debt of P500 owing from the Chinaman Tan Cawa to Juan Feliciano. The court also sentenced the appellant Macario Feliciano to pay the costs in both cases.

The appellant excepted to the judgment in both cases in time and asked, furthermore, that a new trial be held on the ground that the judgment is manifestly contrary to the weight of the evidence and is against law; and the motion for new trial having been overruled he excepted to the orders issued in both cases and perfected the corresponding bill of exceptions.

The errors assigned by the appellant in his brief are four, namely: (a) The court erred in rendering judgment in: case No. 16657 against Macario Feliciano and in absolving the defendants; (b) the court erred in rendering judgment in case No. 15658, declaring that the contract of sale with the right to repurchase, Exhibit 1, is null and of no value as such contract, and that it should be understood as a guaranty given to secure the payment of a debt of P500 owing from the Chinaman Tan Cawa to Juan Feliciano; (c) the court erred in sentencing Macario Feliciano to pay the costs in both cases; and (d) the court erred in overruling the motion for new trial presented by the appellant in both cases.

The contract of sale of land with the right to repurchase, which was declared invalid by the court, appears in a public document, Exhibit 1 of the appellant, and is of the following tenor:

"Know all men by these presents:

"That we Vicenta Limjuco, of age, widow of Agustin Calacalzada and resident of the municipality of Santa Cruz, Province of Laguna, P. I., and Antonia Calacalzada, of age, married to Benito Calambacal, of the same municipality and authorized by her husband to execute the present instrument, as appears in the attached document, do hereby solemnly declare:

"I. That we are the pro indiviso owners of land situated in the barrio of Santisima Cruz, municipality of Santa Cruz, Province of Laguna, P. I., the description of which is as follows: Bounded on the north by the land of Don Rafael Teodoro deceased, now of the heirs of Filomena Teodoro, on which side it has a length of 131 varas; on the south by that of the deceased Teodorico Taleon, now of Dominga Calupitan and Modesto Falcon, on which side it has a length of 110 varas; on the east by the road to the pier of this town, on which side it has a length of 181 varas; and on the west by the property of Maria Dimahutoc, now of the heir of Braulio Feliciano, on which side it has length of 181 varas. The total area of this land is 18,389 sq. m., 48 sq. dm. and 88 sq. cm.

"II. That the land described in Paragraph I is leased to Braulio Feliciano and his children for all the time that the rope factory situated on said land exists.

"III. That, in consideration of the sum of five hundred pesos, Philippine currency, paid to us at this moment by Don Macario Feliciano, we sell and convey for said sum to the said Don Macario Feliciano, his heirs and successors in interest, the land described in Paragraph I.

"IV. This sale is subject to the following conditions:

"(a) The vendors reserve the right to repurchase the land sold for the same price of five hundred pesos, Philippine currency, within the period of six months, extendible to another period of six months and to be counted from the date of this document; but if within said period the vendors should not exercise the right to

repurchase then this sale shall ipso facto become absolute and irrevocable without the necessity of executing a new document.

"(b) Notwithstanding the present conditional sale, the vendors shall continue in possession of the lands sold, as lessees, paying therefor a monthly rental of P7.50 payable in advance during the first ten days of each month, the payment to be made at the residence of the lessor.

"(c) The real estate tax of the land leased as well as other taxes which may be imposed hereafter upon said land shall be paid by the lessees.

"(d) The period of this lease is subordinate to the time of the redemption of the land leased.

"(e) The violation of any condition of this lease by the lessors shall produce the rescission of the contract of lease.

"V. That the land now sold is free from all incumbrances.

"VI. That the vendors warrant the title and peaceful possession of the land.

"I, Macario Feliciano, of age, married to Natalia Santos, and resident of the city of Manila, P. I., on my part declare that I accept and execute this document of sale and lease in the terms above-mentioned.

"In witness whereof both parties executing the present document in triplicate but of the same tenor signed it in the city of Manila, P. I., this 3rd day of June, 1913.

(Sgd.) "VICENTA LIMJUCO,
"ANTONIA CALACALZADA,
"MACARIO FELICIANO.

"Signed in the presence of:

(Sgd.) "JUAN BALANQUIO,

"ANGEL MATIENZO.

"UNITED STATES OF AMERICA,

"PHILIPPINE ISLANDS,

"CITY OF MANILA.

"In the city of Manila this 3rd day of June, 1913, A. D., personally appeared before me Vicenta Limjuko, Antonia Calacalzada and Macario Feliciano who are personally known to me be the persons who executed the present document and acknowledged the same to be their free will and deed.

"Macario Feliciano exhibited to me his cedula certificate No. F-28988 issued in the municipality of Manila on March 5, 1913.

"Before me,

(Sgd.) "FRANCISCO SEVILLA,
"Notary Public,

"My commission expires on December 31, 1914.

"Not. Reg. No. 149, p. 35."

In annulling this contract the court based its opinion upon the declarations of the witnesses for the appellees, especially those of the Chinaman Tan Cawa. We have carefully-examined the evidence in this case, and although

we do not have the advantage, which the court had, of hearing and observing the witnesses, we believe, nevertheless, that the declarations of record do not support the conclusion stated in the judgment appealed from.

The theory of the appellees is that the Chinaman Tan Cawa received from Juan Feliciano, as a loan, the sum of P500, with a monthly interest of P7.50, a contract of guaranty having been executed and signed by Antonia Calacalzada.

The principal witness of the appellees, the Chinaman Tan Cawa, stated that he was acquainted with Juan Feliciano but not with Macario Feliciano; that on June 2, 1913, he received a loan of P500 from Juan Feliciano and that a document concerning such loan was made, which, according to the witness, is the last page of Exhibit 1, which he admits to be such document because the signature of Antonia Calacalzada, which he indicated in the document bearing such title, appears therein; that Juan Feliciano required him to give a guaranty of P500 and that he talked to Teodoro Calambacal in order that he and his mother Antonia Calacalzada might become sureties; that the document was signed on June 3, 1913, by Antonia Calacalzada in Santa Cruz, where he had taken it after getting it from Juan Feliciano on June 2, that when he received the sum of P500 it was agreed that he would pay a monthly interest of P7.50, which he paid and for which a receipt was issued to him which is Exhibit A of the appellee, signed by Juan Feliciano, and that he continued to pay the subsequent interest.

Upon cross-examination he declared that when he went from Manila to Santa Cruz he carried with him only the last page of Exhibit 1 and this is the same document that Juan Feliciano delivered to him. After stating that only Antonia Calacalzada signed the document he says that "it seems that Teodoro Calambacal did not sign the document and then adds that he does not remember whether Antonia Calacalzada was the only one to sign the document.

Upon cross-examination by the court he answered that he still owes to Juan Feliciano the sum borrowed by him; that he has been paying interest on said sum until the year 1915, when he went to live in Pampanga, and that in 1917, he delivered to Teodoro Calambacal the sum of P235 to be delivered by the latter to Juan Feliciano. In answer to the question of the attorney for the appellees he stated that Exhibit A, the receipt for P7.50 delivered to him by Juan Feliciano on his paying the interest on June 2, 1913, was delivered by him to Teodoro Calambacal, and he again positively stated that the last page of Exhibit 1 is the only page which he took to Manila and is the only page signed by Antonia Calacalzada.

These declarations of the witness Tan Cawa can not stand even the slightest criticism. Juan Feliciano assured the court, without being contradicted, that he did not know Tan Cawa and of course he could not deliver said sum of P500 without the proper securities. Tan Cawa declared that after receiving the money a document was executed and delivered to him by Juan Feliciano and that he took it to Santa Cruz, Laguna, to be signed by the sureties,

This document according to the witness is the last page of Exhibit 1 which does not contain any other written matter than the words "June 1913" (junio de 1913) and three lines in which the signatures of Vicenta Limjuco, Antonia Calacalzada and Macario Feliciano appear after the words "Signed in the presence of" (Firmado en presencia de) and the signatures of witnesses. Said page ends with the form of acknowledgment and the signature of the notary public.

Tan Cawa positively declares that Antonia Calacalzada signed the last page of Exhibit 1 but does not remember if she was the only one to sign the document. He makes no reference to the acknowledgment appearing at the foot of the last page of the document, but the witness Julian Narciso, who declares he was present when Antonia Calacalzada signed the document, says that the signature of the notary public was already in the document and therefore the acknowledgment must already have been written. But no explanation is given why the name of Macario Feliciano appears in this acknowledgment when he did not participate in the making of the loan of which

Tan Cawa speaks. On the other hand, it can not be understood why the name of Tan Cawa, who was, according to his own testimony, the principal debtor in this contract does not appear in said acknowledgment.

Furthermore, the notary public before whom the document (Exhibit 1) was acknowledged showed to the court the copy which, as such notary, he preserved. The trial judge examined it and stated that it is a copy. We take it for granted that this copy contained the same signatures that appeared in Exhibit 1; and, if this is so, it does not appear from the record that the appellee attempted to prove the falsity of said signatures, much less of that of Antonia Calacalzada. The notary public has this copy in his possession since the document Exhibit 1 was executed, and according to the witnesses for the appellee, Antonia Calacalzada signed only one page which is the last page of said exhibit. The fact that the notary public preserved a copy of Exhibit 1, which contains the signatures of the persons who executed the document, including Antonia Calacalzada, shows that the witness Tan Cawa is unworthy of credit.

Tan Cawa states that when he received the sum of P500 from Juan Feliciano it was agreed that he would pay interest at the rate of P7.50 per month, an interest which he paid on June 2, 1913, and for which a receipt, Exhibit A of the appellee, signed by Juan Feliciano, was issued to him. This exhibit is in the following terms:

"BRAULIO FELICIANO & SONS

"ROPE MANUFACTURERS

"MANILA, P. I.

"No. 20 Estero de Binondo.

"Received of Dona V. Limjuco and Antonia Calacalzada the sum of P7.50, in payment of rent of the land leased to them in the barrio ofv Santisima Cruz, Laguna, for the period beginning June second and ending July 2 of this year.

"Manila, June 2, 1913.

P7,50

(Sgd.) "JUAN FELICIANO."

The mere reading of this document again shows how dangerous it is to believe the testimony of this witness; and, without discussing the other details of his testimony, we believe that what has been said suffices for us to conclude that he is unworthy of credit.

The other witnesses for the appellee Teodoro Calambacal, Antonia Calacalzada and Julian Narciso seem to corroborate the Chinaman Tan Cawa; but a careful study of their declarations, such as the appellant makes in his brief, not only shows the contradiction which they commit but also palpably demonstrates the falsity of the theory of the appellee.

Teodoro Calambacal who, according to the judgment appealed from, "induced his mother Antonia Calacalzada and his grandmother Vicenta Limjuco to sign the document Exhibit 1 or the last page thereof, either in bad faith or in ignorance of its contents," cannot with propriety speak of the contents of the document, since he himself and the other witnesses make the assurance that Tan Cawa presented for signature only the page we have described in this decision. Nor can we give him credit when he states that the contract executed between his mother and grandmother and the appellant was a contract of suretyship to secure the payment of the debt of Tan Cawa, because Exhibits Nos. 5, 6, 7, 8, and 9 are in the record, which prevent him from making such assertion. These exhibits are genuine letters of the witness, dated July 3, 1915, and July 2, 1916, and addressed by him, in the name of his mother and of his grandmother, to Macario Feliciano and Juan Feliciano, in which he speaks of the

contract of sale with the right to repurchase, asking an extension of the stipulated period; and he asks Juan Feliciano to induce his cousin Macario Feliciano to grant this extension.

One of the reasons which the court took into account in declaring that the sale in question was simulated is the price of the land sold with the right to repurchase, alleged in the complaint for annulment to be P6,000, or more. Two witnesses of the appellee testify on the value of the land: Teodoro Calambacal declared that Juan Feliciano in 1906 offered to buy the land for the sum of P3,000, but Juan Feliciano states that he had no interest in buying it. Antonia Calacalzada states that she was informed by Juan Feliciano that the assessed value thereof was P3,000; that the father of the former had offered a long time ago to buy it for P3,000 and that if the land should be sold now it might sell for P8,000. In view of the interest that these witnesses have in this case we do not believe that their declarations are sufficient to establish the real value of the land. On the other hand, the real estate tax receipts, Exhibits 12 and 13 of the appellant, appear in the record, in which it is seen that the land was assessed in 1906 at P200, which was raised to P1,010 in 1915; and this destroys the effect of the assertion of Antonia Calacalzada. We are of the opinion, without deciding that the assessed value of a land is its true market value, that in the absence of sufficient proof of the true value, the difference between the sum of P500 agreed upon by the parties and the assessed value of P1,010 does not of itself justify the annulment of the contract of sale with the right to repurchase.

In the case of *De Ocampo and Custodio vs. Lim* (38 Phil., 579), it was held that the price paid in a sale with the right to repurchase is not necessarily the true value of the land sold; and it must be true, because in this kind of sale as distinguished from absolute sales in which the vendor, in permanently giving away his property, tries to get, as compensation, its real value, the hope of redeeming the land sold and the facility of returning the price received are important factors, and in order that this hope may be realized easily the vendor generally fixes a price less than the real value.

In view of the conclusion which we have reached in weighing the evidence upon which the judgment appealed from is based, we believe it unnecessary to discuss in detail the documentary and oral evidence of the appellant, it being enough to say, after reviewing the evidence, that we are of the opinion that the contract in question has been properly and duly executed by the contracting parties.

In the case of *Palanca vs. City of Manila and Trinidad* (p. 125, ante), this court held that laws that are clear and specific should be applied without attempting to interpret or explain them. (*Lizarraga Hermanos vs. Yap Tico*, 24 Phil, 504; *Philippine Railway Co. vs. Nolting* [1916], 34 Phil., 401.) *Pari causa*, contracts, which are the private laws of the contracting parties, should be fulfilled according to the literal sense of their stipulations, if their terms are clear and leave no room for doubt as to the intention of the contracting parties (art. 1281, Civ. Code), for contracts are obligatory, no matter what their form may be, whenever the essential requisites for their validity are present. (Art. 1278, Civ. Code.)

In the case of *Manalo vs. Gueco*, R. G. No. 16202, recently decided by this court,[¹] we said:

"We are not unmindful of the fact that sales with pacto de retro are not favored, and that the court will not construe an instrument to be one of sale con pacto de retro, with the stringent and onerous effects which follow, unless the terms of the document and the surrounding circumstances require it. (*Padilla vs. Linsangan*, 19 Phil., 65, 68; *Olino vs. Medina*, 13 Phil., 379.) In consonance with this doctrine, we have also decided that 'parol evidence is competent and admissible in support of allegations that an instrument in writing, purporting on its face to transfer the absolute title to property, or to transfer the title with a mere right of repurchase, was in truth and in fact given merely as security for the repayment of a loan.' (*Cuyugan vs. Santos*, 34 Phil., 100; *Rodriguez vs. Pamintuan and De Jesus*, 37 Phil, 876; *Cuyugan vs. Santos*, 39 Phil., 970.)"

In the present case, however, the terms of the contract, which we have inserted in this decision, clearly show that

the transfer of the land in question by the plaintiff to the defendant-appellant was in its nature a sale with the right to repurchase; and the plaintiff has not proved any circumstance which justifies as to interpret said contract as a mere guaranty.

In the *Manalo vs. Gueco* case, *supra*, the court says:

"In every case in which we have construed a contract to be a mortgage or a loan with guaranty instead of a sale with pacto de retro, we have done so either because the terms of such contract are ambiguous (i. e., capable of being interpreted either as a loan with guaranty or a sale with pacto de retro), or because the circumstances surrounding the execution or the performance of the contract were incompatible or inconsistent with the theory that said contract was one of purchase and sale. (See *Olino vs. Medina*, 13 Phil., 379.) In the case of *Padilla vs. Linsangan* (19 Phil., 65, 66), the term employed in the contract to indicate the nature of the conveyance of land was 'pledged' instead of 'sold'. In the case of *Manlagnit vs. Sanchez Dy Puico* (34 Phil., 325), while the obligor used the terms 'sell and transfer with a right to repurchase,' yet in said contract he described himself as a 'debtor,' the obligee as a 'creditor,' and the contract as a 'mortgage.' In the case of *Rodriguez vs. Pamintuan and De Jesus* (37 Phil., 876), the person who executed the instrument purporting on its face to be a deed of sale of certain parcels of land, had merely acted under a power of attorney from the owner of said land, 'authorizing him to borrow money in such amount and upon such terms and conditions as he might deem proper, and to secure payment of the loan by a mortgage' on said lands. In the case of *Villa vs. Santiago* (38 Phil., 157, 161), although a contract purporting to be a deed of sale was executed, the supposed vendor remained in possession of the land and invested the money he had obtained from the supposed vendee in making improvements thereon; the value of the land was more than P10,000, whereas the money borrowed was only P2,300; and there were other circumstances connected with the conduct of the plaintiff (the supposed vendee) which justified the court in holding that the transaction was a mere loan. In the case of *Cuyugan vs. Santos* (39 Phil., 971), the purchaser accepted partial payments from the vendor, and such acceptance of partial payments is absolutely incompatible with the idea of irrevocability of the title of the ownership of the purchaser at the expiration of the term stipulated in the original contract for the exercise of the right of repurchase'."

But in the present case we do not find any ambiguity in the conditions of the contract or words, such as those inserted in the case cited, which authorize us to give the contract a meaning different from its literal sense.

For the reasons stated it is proper to reverse, as we now reverse, the judgment appealed from, without any special pronouncement as to costs. The contract of sale with the right to repurchase, which is the subject-matter of case No. 15658, in which the defendant-appellant Macario Feliciano is absolved from the complaint, is held to be valid; and the appellee Vicenta Limjuco is sentenced to return the land which is the object of case No. 15667 and to pay the rent in arrears, in conformity with the contract Exhibit 1, until the execution of the judgment. (See resolution of Court of November 12, 1920.) So ordered.

Mapa, C. J., Johnson, Araullo, Malcolm and Avanceñ, JJ., concur.

[1] 19 Off. Gaz., 2193.

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