

Title: Delos Santos v. Abejon: Cancellation of Title and Determination of Liability for Construction Costs in Good Faith

Facts:

1. Erlinda Dinglasan-Delos Santos and her husband, Pedro Delos Santos, borrowed P100,000 from Erlinda's sister, Teresita Dinglasan-Abejon, evidenced by a promissory note dated April 8, 1989. The loan was secured by a mortgage on their 43.50-square meter property located in Makati City, covered by TCT No. 131753.
2. Pedro passed away in 1989, and due to nonpayment, Erlinda agreed to sell the property to Teresita for P150,000, covering the loan and an additional P50,000. A Deed of Sale and Release of Mortgage were executed on July 8, 1992, and TCT No. 180286 was issued in the name of Teresita and her husband, Alberto Abejon.
3. Teresita and Alberto constructed a three-story building worth P2,000,000 on the property. Subsequently, Erlinda and her daughters contested the sale, claiming Pedro's signature on the Deed of Sale was forged as he was already deceased at the time of execution.
4. Erlinda and her daughters, as petitioners, refused to refund the purchase consideration or construction costs, alleging the Deed of Sale was fabricated by Teresita.
5. They also denied awareness of any demand for loan repayment or construction cost reimbursement, asserting the construction was voluntarily undertaken by Teresita.
6. Respondents Alberto and the estate of Teresita filed a complaint for cancellation of title and collection of sum of money before the RTC.
7. During pre-trial, parties stipulated the forgery of the Deed of Sale and agreed TCT No. 180286 should be canceled, and TCT No. 131753 reinstated, acknowledging the subsistence of the P100,000 loan.
8. RTC declared the Deed of Sale void and ordered the reinstatement of TCT No. 131753. Petitioners were ordered to pay P100,000 plus interest for the loan, P2,000,000 for construction costs, and P100,000 for attorney's fees.
9. Petitioners appealed, and the CA affirmed with modifications: adjusting interest start date on the loan and imposing interest on the construction cost from decision finality.

10. Petitioners sought reconsideration, which was denied, prompting their appeal to the Supreme Court.

Issues:

1. Whether petitioners should be held liable for the P100,000 loan and construction costs totaling P2,200,000.
2. Determination of responsibility for the additional P50,000 paid for the void sale.
3. Appropriateness of attorney's fees awarded to respondents.

Court's Decision:

1. The Supreme Court held the P100,000 loan obligation falls on the conjugal partnership of Erlinda and Pedro, payable from conjugal assets, or personally by Erlinda and Pedro's estate if insufficient.
2. Respondents are entitled to reimbursement of the P50,000 as Erlinda consented to the void sale and must return this amount with interest from decision finality.
3. The construction cost issue was addressed under the rules of accession; both petitioners as landowners and respondents (builders) acted in bad faith. Consequently, remand to trial court was ordered to determine proper reimbursement or property lease terms.
4. Attorney's fees award was deleted due to lack of specific justification for the same, consistent with legal principles discouraging penalties for exercising litigation rights.

Doctrine:

1. Pre-trial stipulations bind parties, allowing summary resolution of uncontested factual issues.
2. Conjugal debts under Article 121 of the Family Code remain charged against the conjugal partnership if contracted by both spouses.
3. In dual bad faith scenarios under Article 453, the landowner-builder may choose reimbursement or property acquisition/removal under Article 448 guidelines.
4. Void contracts restore parties to pre-contract state (*restitutio in integrum*), emphasizing return of exchanged considerations.

Class Notes:

- Family Code precepts on conjugal partnerships: Article 121 outlines liability for debts during marriage.
- Civil Code Articles 448, 453, 546, 548 address builder-landowner relationships in good/bad

faith, detailing rights to compensation or property appropriation.

- Pre-trial stipulations streamline case resolution and limit trial issues.

Historical Background:

- The case highlights post-1987 Family Code nuances governing property of spouses and obligations, with judicial examination of ownership based on pre-existing civil statutes, illuminating evolving doctrinal applications in property contracts and obligations.