

Tiu vs. Court of Appeals, Go, and Lim (298 Phil. 700)

Facts

George Tiu and his mother, Rosalina Tiu, initiated a legal action seeking the reformation of a contract, the delivery of personal property, and damages against Juan Go and spouses Juanito Lim and Lim Yee Show Fong. The dispute arose from a loan negotiation between George Tiu, Rosalina Tiu, and Juan Go in March 1986. The Tius alleged that Go required the Tius to mortgage their condominium units, with additional collateral of jewelry and undated checks from Rosalina Tiu.

Go prepared a “Deed of Sale of a Condominium with Right to Repurchase” and a “Contract of Lease,” presenting them to involve the Spouses Lim, arguing that as a Chinese national, Go could not hold real estate in his name. Despite reservations, Tius signed the documents, which were later notarized and registered. Subsequently, the Tius remained in possession of the units as lessees.

Tius claimed the transaction was a mortgage intended to secure a loan rather than an outright sale and sought reformation based on articles 1365 and 1602 of the Civil Code. The respondents countered, asserting that Tius had failed to repurchase the units within the stipulated time and claimed absolute ownership.

The Regional Trial Court (RTC) rendered a summary judgment on August 21, 1989, directing dismissal of Tiu’s complaint and ordering Rosalina Tiu to pay Go P1,060,000.00. The Court of Appeals upheld the RTC’s decision.

Issues

1. Whether the RTC erred in accepting the Deed of Sale of Condominium Units with Right to Repurchase as the true agreement.
2. Whether the RTC erred in holding Rosalina Tiu liable for P1,060,000.00.
3. Whether reformation of the deed is feasible.
4. Whether there were genuine issues of fact precluding summary judgment.
5. Whether George and Joaquin Tiu were jointly and solidarily liable with Rosalina Tiu.
6. Whether Go is entitled to attorney’s fees, moral, and exemplary damages.

Court’s Decision

1. ****Deed of Sale with Right to Repurchase as True Agreement:****

The court sustained the acceptance of the Deed of Sale over the Tius' claims of it being a mortgage rather than a sale. The document's execution, authenticity, and notary's affidavit corroborated that the parties understood and agreed to its terms.

2. **Liability for P1,060,000.00:**

The court held Rosalina Tiu solely liable as the records revealed she manipulated the checks and the loans in question.

3. **Feasibility of Reformation:**

The court found reformation unfeasible. The Tius' complaint lacked particularity in alleging fraud or mistake, which is needed under Section 5, Rule 8 of the Rules of Court. The alleged fraud and inequitable conduct were deemed conclusions of law rather than ultimate facts.

4. **Genuine Issues of Fact:**

The court affirmed summary judgment was appropriate as no genuine issue of fact necessitating trial existed.

5. **Joint and Solidary Liability:**

George and Joaquin Tiu were not found jointly and solidarily liable with Rosalina Tiu. Receipt evidence showed no solidary provision, and therefore, only Rosalina Tiu was held accountable.

6. **Attorney's Fees, Moral, and Exemplary Damages:**

Go's request for damages and attorney's fees was denied. The court emphasized that adverse results in litigation do not inherently justify damages.

Doctrine

Summary Judgment: If no genuine issue of fact exists requiring trial, summary judgment may be granted.

Reformation of Instruments: Requires specific allegations of fraud or inequitable conduct under Civil Code articles 1365 and 1602, and Section 5, Rule 8 of the Rules of Court. Mere conclusions of law do not suffice.

Solidary Obligations: Established only through express stipulation or statutory requirement, not through subsequent admissions or usage of proceeds.

Class Notes

- **Summary Judgment (Rule 34):** Requires absence of fact issues, entitling the mover to judgment by law.
- **Civil Code Article 1365 and 1602:** Grounds for reformation or presumption of an equitable mortgage include a vendor remaining in possession, or intention to secure debt.
- **Solidarity (Article 1207, Civil Code):** Requires express provision or legal mandate for joint responsibility.

Historical Background

This case centers on interpreting whether stipulated contracts reflect the genuine intent of the parties—distinguishing sale with repurchase rights versus an equitable mortgage in the Philippine legal context, considering limitations of alien property ownership and mortgage security interests under civil law principles.