393 Phil. 479

SECOND DIVISION

[G.R. No. 134166, August 25, 2000]

SPOUSES MARIO REYES AND CONCEPCION DOMINGUEZ-REYES, AND SPOUSES DOMINADOR VICTA AND ARACELI DOMINGUEZ-VICTA, PETITIONERS, VS. COURT OF APPEALS AND SPOUSES JAIME RAMOS AND NILDA ILANO-RAMOS, RESPONDENTS.

D E C I S I O N

BELLOSILLO, J.:

At the core of the controversy are several parcels of land located in Palico, Imus, Cavite, with a total area of 3,000 square meters. The disputed property, which once formed part of a bigger tract of land known as Lot No. 4705 measuring 21,087 square meters covered by Transfer Certificate of Title No. RT-10922 and registered in the name of the late Florentino Dominguez, constituted the undivided shares of herein petitioners Concepcion Dominguez-Reyes and Araceli Dominguez-Victa in the estate of their father Florentino Dominguez.

Sometime in August 1991 spouses Jaime Ramos and Nilda Ilano-Ramos filed two (2) separate actions for specific performance against spouses Mario Reyes and Concepcion Dominguez-Reyes and spouses Dominador Victa and Araceli Dominguez-Victa to compel them to segregate a total of 3,000 square meters of land from their respective shares in Lot No. 4705 and to execute the necessary deed of conveyance transferring to the plaintiffs the above-mentioned property.[1]

The Ramos spouses asserted that on different dates Concepcion sold to them a total of 1,700 square meters of land while Araceli sold likewise at different times an aggregate of 1,300 square meters of land as evidenced by eighteen (18) *Deed(s) of Absolute Sale and Transfer*.[2] Except as to the dates, amounts of consideration and areas of the property sold, all the deeds contained substantially identical terms and conditions —

> That I, CONCEPCION D. REYES, of legal age, Filipino, married and resident of Caridad, Cavite City, for and in consideration of the sum of TEN THOUSAND PESOS (P10,000.00), Philippine Currency, of which FIVE THOUSAND PESOS (P5,000.00) is payable upon the signing of this deed and FIVE THOUSAND PESOS (P5,000.00) is to be paid when the lot herein sold is already segregated, technically described and titled separately in favor of herein buyer, have SOLD, TRANSFERRED and CONVEYED by way of absolute sale, in favor of JAIME M. RAMOS, of legal age and married to NILDA J. ILANO, and residents of Poblacion, Imus Cavite, his heirs, successors and assigns, a lot corresponding to ONE HUNDRED SQUARE METERS (100 sq. m.), more or less, located and situated along the National Highway, adjacent to the ONE THOUSAND ONE HUNDRED SQUARE METERS (1,100 sq. m.) previously sold to the BUYER, to be taken out of my (SELLER's) share, which is one sixth (1/6)

> portion of the property hereinafter described, as an heir by virtue of an extra-judicial partition of the estate of Florentino Dominguez, who died on 17 July 1960 (Doc. No. 482; Page No. 98 Book I, Series of 1978, of Notary Public Jacinto Dominguez of Manila, dated August 6, 1978) x x x (description of property) of which property or portion herein sold, I am the true, legal and absolute owner, free from liens and encumbrances, and I hereby bind myself and undertake to execute any deed or document to vest complete and absolute title to herein buyer.

In early 1991 Lot No. 4705 was finally subdivided into several smaller lots and partitioned extrajudicially among the five (5) heirs of Florentino Dominguez although the records only disclosed three (3) names, Concepcion Dominguez-Reyes, Araceli Dominguez-Victa and Fortunata Dominguez. Concepcion acquired a 2,440-square meter lot covered by TCT No. 304193, while Araceli took possession of two (2) lots with a combined area of 2,340 square meters for which TCTs Nos. 304190 and 304192 were issued in her name.

Upon learning of the partition, the Ramoses repeatedly demanded from Concepcion and Araceli to make good their undertakings under the deeds of sale — to segregate a total of 3,000 square meters from their respective shares in Lot No. 4705 and to execute the necessary deed of conveyance therefor — but the latter refused, insisting that the deeds did not reflect the true intention of the parties as their real intention was simple loans of money the payment of which was to be secured by mortgages.

Concepcion D. Reyes and Araceli D. Victa averred that between 1980 to 1985 they obtained individually various loans from Nilda Ramos which were covered by handwritten receipts prepared either by her or by her daughter Dinah Ramos and signed by Concepcion and Araceli.[3] Sometimes they were furnished by Nilda Ramos with duplicate copies of the corresponding receipts although in most instances only one (1) copy was prepared which Nilda retained.[4]

The loans were released by Nilda to Concepcion and Araceli on a piecemeal basis, and every time the loans reached an aggregate amount of P10,000.00 to P20,000.00 Nilda would prepare a *Deed of Absolute Sale and Transfer* which purported to convey in her favor a portion of the undivided shares of Concepcion and Araceli in Lot No. 4705. To entice them to sign the deeds, Nilda represented to them that the instruments were merely for purposes of complying with the formalities required by ARVI Finance Corporation, which she owned, and where the amounts loaned to them presumably came from. Nilda Ramos further assured Concepcion and Araceli that the deeds would not be notarized nor would they be enforced against them.[5] That however out of a total of eighteen (18) deeds of sale signed by Concepcion and Araceli, it appeared that three (3) were actually notarized. Finally, Concepcion and Araceli offered to settle their indebtedness but Nilda refused to accept payment.

Since identical issues and similar transactions were involved, the two (2) cases were consolidated and a joint trial was held. On 17 June 1993 the trial court rendered a decision in favor of the Reyes and Victa spouses holding that "the alleged sales were not really sales but receipts of sums of money by way of loans."[6] The Court of Appeals however disagreed and reversed the ruling of the trial court on appeal. In its assailed Decision of 21 October 1997 the Court of Appeals held —

> We have examined the instruments evidencing the transactions under consideration and found the language of each clearly and without ambiguity to be setting forth a contract of sale and purchase. And the authenticity and due execution of these deeds, it must be emphasized, are not disputed. They are in fact admitted x x x x In the mind of this court, appellants have convincingly proven the reality of the sale of the parcels of land subject hereof x x x these pieces of evidence are not mere drafts of contracts since everything for the existence of a perfect contract of purchase and sale are present. Neither can they possibly be mistaken for receipts inasmuch as even their title — typewritten in capital letters and underlined — proclaims what each of the documents is all about x x x x When contracting minds have reduced their agreement into writing, the contents of the writing constitute the sole repository of the terms of the contract between the parties x x x x
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> Appellees invite our attention to Article 1602 of the Civil Code providing that a contract shall be presumed to be an equitable mortgage in any of the following instances: (1) when the price of a sale with right to repurchase is unusually inadequate; (2) when the vendor remains in possession as lessee or otherwise; x x x x (5) when the vendor binds himself to pay the taxes on the thing sold; (6) in any other case, where it may be fairly inferred that the real intention of the parties is that the transaction shall secure the payment of a debt or the performance of any other obligation x x x x It is then pointed out that (a) the purported consideration is grossly inadequate bearing in mind the strategic location (along a highway) of the property in question; (b) the appellees, with their co-owners, have been paying real estate taxes on the lot; (c) the appellees, thru their tenant, have remained in possession of the property; and, (d) a number of receipts furnished by appellants to the appellees clearly indicate that the amount the latter received from the former were loans. Not one of the circumstances or incidents pointed out by appellees indicate, under the premises, the presence of an equitable mortgage.[7]

The appellate court in its Resolution of 15 June 1998 denied the motion for reconsideration of the Reyes and Victa spouses.

In this petition for review, petitioners tenaciously insist that the transactions in question were not what they purported to be but were in reality equitable mortgages. In stark contrast, respondents maintain in their comment that the transactions were absolute sales as clearly shown in the subject *Deed(s) of Absolute Sale and Transfer.*

The pivotal issue then is whether the parties intended the contested *Deed(s) of Absolute Sale and Transfer* to be *bona fide* absolute conveyances of parcels of land, or merely equitable mortgages.

Preliminarily, the question involved in the instant case is primarily one of fact since extraneous evidence is required to ascertain the real intention of the parties to the transactions. The rule is well-settled that in the exercise of the power to review the factual findings of the Court of Appeals are normally conclusive and binding on this Court.[8] However, since the factual findings of the appellate court are at variance with those of the trial court, we are constrained to go over the records of the case

and examine the arguments of the parties in their pleadings in light of the factual milieu.

In determining whether a deed absolute in form is a mortgage, the court is not limited to the written memorials of the transaction. The decisive factor in evaluating such agreement is the intention of the parties, as shown not necessarily by the terminology used in the contract but by all the surrounding circumstances, such as the relative situation of the parties at that time, the attitude, acts, conduct, declarations of the parties, the negotiations between them leading to the deed, and generally, all pertinent facts having a tendency to fix and determine the real nature of their design and understanding. As such, documentary and parol evidence may be submitted and admitted to prove the intention of the parties.[9]

It must be stressed, however, that there is no conclusive test to determine whether a deed absolute on its face is really a simple loan accommodation secured by a mortgage. In fact, it is often a question difficult to resolve and is frequently made to depend on the surrounding circumstances of each case. When in doubt, courts are generally inclined to construe a transaction purporting to be a sale as an equitable mortgage, which involves a lesser transmission of rights and interests over the property in controversy.[10]

As already mentioned in the assailed decision, Art. 1602 of the Civil Code enumerates the instances when a contract, regardless of its nomenclature, may be presumed to be an equitable mortgage: (a) when the price of a sale with right to repurchase is unusually inadequate; (b) when the vendor remains in possession as lessee or otherwise; (c) when upon or after the expiration of the right to repurchase another instrument extending the period of redemption or granting a new period is executed; (d) when the purchaser retains for himself a part of the purchase price; (e) when the vendor binds himself to pay the taxes on the thing sold; and, (f) in any other case where it may be fairly inferred that the real intention of the parties is that the transaction shall secure the payment of a debt or the performance of any other obligation.

For the presumption of an equitable mortgage to arise under Art. 1602, two (2) requisites must concur: (a) that the parties entered into a contract denominated as a contract of sale, and (b) that their intention was to secure an existing debt by way of a mortgage. The existence of any one of the circumstances defined in the foregoing provision, not the concurrence nor an overwhelming number of such circumstances, is sufficient for a contract of sale to be presumed an equitable mortgage.[11] The provision also *applies even to a contract purporting to be an absolute sale,* as in this case, if indeed the real intention of the parties is that the transaction shall secure the payment of a debt or the performance of any other obligation.[12]

After a thorough examination of the records, we find the petition to be impressed with merit. The facts and evidence decidedly show that the true intention of the parties was to secure the payment of the loans and not to convey ownership over the property in question. The transactions were replete with veritable badges of equitable mortgage.

First. It is not contested that during all the time material to this controversy petitioners were sorely pressed for money. Petitioners explained in their testimony that respondent Nilda Ramos had assured them that the deeds were merely a

formality, a requirement for the loan. They obviously signed the documents to satisfy their extreme financial needs. Thus, Concepcion —

Q: And of course you also understand what loan means even if that is in English?
A: Yes, sir. I understand the word "*utang*."
Q: You understood well the distinction that you have mentioned when you executed the deeds of absolute sale. Is it not? The different deeds of absolute sale in favor of spouses.

A: I do not understand it well x x x x
Q: And so you mean to say that you signed, you affixed your name with the witnesses without understanding what you have written, what you have signed x x x x
A: They were the ones who offered us that is the requirement, as formality x x x x
Q: What do you mean by that Mrs. Witness, the terms requirement and formality?
A: Requirement means they want us to sign the document and formality means in case I will be unable to pay, they will get the land x x x x
Q: But nevertheless, you have signed the different deeds of sale even if the title of the documents say it is a deed of absolute sale. Is it not?
Court: Stating that it was a mere formality. So that was the essence of her testimony. It was merely formality, the signing of the documents.
Q: Now, did you not ask spouses Ramos to change the contents of the documents since it does not reflect your understanding that that is just a formality or requirement considering that the documents state is the deed of absolute sale?
A: I did not ask her because I trust her, sir.[13]

For her part, Araceli testified —

Q: Do you recall having a discussion with Mrs. Ramos at one point in time when you were in dire need of fund or money?
A: In our church, sir, I remember that we have (*sic*) talked about it. At the *kapilya.*
Q: And do you remember the subject of your discussion at that time?
A: It is about the deed of sale and the payment.
Q: You mentioned the word "payment." Why are you discussing payment at the time?
A: Because I borrowed money from her and I will pay in money, sir x x x x[14]
Q: Mrs. Witness, you testified that you received money from Mrs. Ramos in installments. Can you explain how you received this from Mrs. Ramos?
A: First of all I trusted her because she is my *kumadre*