

## SECOND DIVISION

**[ G.R. No. 220517, June 20, 2018 ]**

**LOLITA ESPIRITU SANTO MENDOZA AND SPS. ALEXANDER AND ELIZABETH GUTIERREZ, PETITIONERS, VS. SPS. RAMON, SR. AND NATIVIDAD PALUGOD, RESPONDENTS.**

### DECISION

#### **CAGUIOA, J:**

Before the Court is a petition for review on certiorari (Petition) under Rule 45 of the Rules of Court assailing the Decision<sup>[1]</sup> dated April 29, 2015 (Decision) of the Court of Appeals<sup>[2]</sup> (CA) in CA-G.R. CV No. 102904, denying the appeal of petitioners for lack of merit, and the CA<sup>[3]</sup> Resolution<sup>[4]</sup> dated September 10, 2015, denying petitioners' motion for reconsideration. The CA Decision affirmed the Decision<sup>[5]</sup> dated March 14, 2013 in favor of respondents and Order<sup>[6]</sup> dated May 8, 2014, denying petitioners' motion for reconsideration, of the Regional Trial Court of Bacoor, Cavite, Branch 19 (RTC) in Civil Case No. BCV 2004-217.

#### **The Facts and Antecedent Proceedings**

The CA Decision's brief narration of facts and proceedings before the RTC follows:

[Petitioner] Lolita Espiritu Santo Mendoza (Lolita, for brevity) and Jasminia Palugod (Jasminia, for brevity) were close friends. Lolita was a businesswoman engaged in selling commodities and houses and lots, while Jasminia was then working as a Supervisor in the Philippine Long Distance Telephone Company (PLDT). In 1991, Lolita and Jasminia bought the subject lot [with an area of 120 sq. m.<sup>[7]</sup>] on installment for one (1) year until they decided to pay the balance in full. [The lot is located in Sagana Remville<sup>[8]</sup> Homes, Habay, Bacoor, Cavite.<sup>[9]</sup> In 1995, Jasminia became afflicted with breast cancer. Sometime in 1996, Lolita and Jasminia constructed a residential house on the subject lot. Although Lolita has no receipts, she shared in the cost of the construction of the house from her income in the catering business and selling of various products. [Jasminia, based on a certification<sup>[10]</sup>, was separated from employment on December 30, 1998, and on January 18, 1999, she received her retirement pay<sup>[11]</sup> in the amount of P1,383,773.59.<sup>[12]</sup> On May 11, 2004, Jasminia executed a *Deed of [Absolute] Sale* in favor of Lolita, who eventually mortgaged [on November 19, 2004<sup>[13]</sup>] the subject property to [petitioner] Elizabeth Gutierrez as a security for a loan in the amount of Php800,000.00.

On the other hand, [respondents spouses Ramon, Sr. and Natividad Palugod] alleged that their daughter, the late Jasminia, acquired the

property located in Sagana Homes, Habay, Bacoor[,] Cavite. Prior to and after the said acquisition of the subject property, Jasminia was living with [petitioner] Lolita, a lesbian. Jasminia was an employee of PLDT who rose to the rank of Traffic Supervisor before her separation from service. [Petitioner] Lolita has no work or means of livelihood of her own and was fully dependent on Jasminia. Unfortunately, Jasminia was afflicted with Stage IV breast cancer with multiple bone metastasis. When she was nearing her death, she told her mother, [respondent] Natividad Palugod, that her house and lot shall go to her brother Ramonito Palugod, but [petitioner] shall be allowed to stay therein. [Jasminia died on September 26, 2004 at the Philippine General Hospital.<sup>[14]</sup>] Meanwhile, Lolita, taking advantage of her relationship with Jasminia, caused the latter to sign a *Deed of Absolute Sale* in her favor. Thereafter, Lolita, aided by her brother Wilfredo Mendoza as witness, entered it for registration with the Office of the Registry of Deeds. Thus, TCT (Torrens [*sic*] Certificate of Title) No. T-308560 in the name of Jasminia was cancelled and TCT No. T-1077041 was issued in the name of Lolita.

[Respondents], upon learning from the Office of the Registry of Deeds that Jasminia's certificate of title has been cancelled, executed an *Affidavit of Adverse Claim* of their right and interest over the property as the only compulsory and legitimate heirs of Jasminia. However, [petitioner] Lolita, knowing fully well of the impending suit, made it appear that she mortgaged the property to [petitioners] Spouses Gutierrez as a security for a loan amounting to Php800,000.00.

Thus, [respondents] filed a complaint for *Declaration of Nullity of the Deed of Absolute Sale* and the *Deed of Real Estate Mortgage* with the RTC of Bacoor[,] Cavite.

On March 14, 2013, the RTC of Bacoor, Cavite, Branch 19, rendered the assailed *Decision* in favor of [respondents]. The RTC declared that there can be no contract unless the following concur: (a) consent; (2) object certain; and (3) cause of the obligation. [Respondents] were able to prove by preponderance of evidence that the *Deed of Sale* involved no actual monetary consideration. [Petitioner] Lolita, in her testimony, admitted that the sale was without monetary consideration. The RTC ruled that the *Deed of Sale* is void for being simulated, hence, the *Deed of Real Estate Mortgage* executed therein by [petitioner] Lolita in favor of [petitioners] Spouses Gutierrez is likewise void, since, in a real estate mortgage, it is essential that the mortgagor be the absolute owner of the property to be mortgaged.

[The dispositive portion of the RTC Decision states:

WHEREFORE, premises considered, the judgment is hereby rendered in favor of the [respondents] Sps. Ramon, Sr. and Natividad Palugod and against the [petitioners] Lolita Espiritu Santo Mendoza and Sps. Alexander and Elizabeth Gutierrez as follows:

1. That the Deed of Absolute Sale dated May 11, 2004 purportedly executed by x x x Jasminia Palugod in favor of [petitioner] Lolita Espiritu Santo Mendoza as null and void;
2. That the Deed of Real Estate Mortgage dated November 19, 2004 executed by [petitioner] Lolita Espiritu Santo Mendoza in favor of [petitioners] Spouses Alexander and Elizabeth Gutierrez as null and void;
3. To cancel the Transfer Certificate of Title No. T-1077041 in the name of [petitioner] Lolita Espiritu Santo Mendoza and to reinstate Transfer Certificate of Title No. 308560 in the name of Jasminia P. Palugod;
4. Declaring [respondents] as the lawful owner[s] of the subject property by succession as the only and compulsory heirs of the late Jasminia P. Palugod; and
5. Ordering [petitioners], jointly and severally, to pay [respondents] the amount of Php200,000.00 in attorney's fees.

SO ORDERED.<sup>[15]</sup>

[Petitioners] filed [a] motion for reconsideration, but the RTC, in the assailed *Order* dated May 8, 2014, denied the same for lack of merit.

Aggrieved, [petitioners] interposed [an] appeal [before the CA].<sup>[16]</sup>

#### *The CA Ruling*

The CA denied petitioners' appeal for lack of merit. The CA ruled that respondents, being the only surviving heirs of Jasminia<sup>[17]</sup> Paloma Palugod (Jasminia), have the legal personality to question the validity of the deed of sale between Jasminia and petitioner Lolita Espiritu Santo Mendoza (petitioner Lolita).<sup>[18]</sup> The CA found no cogent reason to deviate from the finding of the RTC that the deed of sale is null and void for being absolutely simulated since it did not involve any actual monetary consideration.<sup>[19]</sup> The CA likewise agreed with the RTC's finding that the real estate mortgage between petitioner Lolita and petitioners spouses Alexander and Elizabeth Gutierrez is null and void because the mortgagor was not the absolute owner of the mortgaged property.<sup>[20]</sup> The dispositive portion of the CA Decision reads as follows:

**WHEREFORE**, the appeal is **DENIED** for lack of merit. The assailed March 14, 2013 *Decision* and May 8, 2014 *Order* of the RTC of Bacoor, Cavite, Branch 19, in Civil Case No. BCV 2004-217, are **AFFIRMED**.

**SO ORDERED.**<sup>[21]</sup>

Petitioners filed a motion for reconsideration, which was denied by the CA in its Resolution<sup>[22]</sup> dated September 10, 2015.

Hence, the present Petition. The Court in its Resolution<sup>[23]</sup> dated January 13, 2016 denied the Petition for failure to sufficiently show any reversible error in the challenged CA Decision and Resolution as to warrant the exercise of the Court's appellate jurisdiction. Petitioners filed a Motion for Reconsideration<sup>[24]</sup> dated March 28, 2016. Respondents opposed the Motion for Reconsideration and filed an Opposition/Comment<sup>[25]</sup> dated April 20, 2016. In its Resolution<sup>[26]</sup> dated October 3, 2016, the Court granted petitioners' Motion for Reconsideration, reinstated the Petition and required respondents to comment on the Petition. Respondents filed their Comment<sup>[27]</sup> dated February 4, 2017. Petitioners filed a Reply<sup>[28]</sup> dated July 10, 2017.

### **Issues**

The Petition raises the following issues:

1. Whether the CA erred in not upholding as applicable to the case the legal principle that a written contract is for a valuable consideration despite the utter failure to prove beyond a selective appreciation of the transcript of stenographic notes that there was indeed no consideration;
2. Whether the CA erred in not upholding as applicable to this case the legal principle that inadequacy of monetary consideration does not render a conveyance null and void; and
3. Whether the CA erred when it affirmed the finding of the RTC that petitioners-mortgagees are jointly liable with petitioner-mortgagor despite the lack of evidence against their innocence contrary to the legal principle that innocent parties must not be held liable for damages.<sup>[29]</sup>

### ***The Court's Ruling***

The Petition is meritorious.

While petitioners couch the issues based on erroneous application of certain legal principles - presumption and adequacy of consideration of contracts, they inherently involve a determination of the correctness of the finding by both the CA and the RTC that respondents have established by preponderance of evidence the lack of consideration of the disputed deed of sale. Necessarily, questions of fact must be hurdled in the resolution of the issues raised by petitioners.

As a rule, the factual findings of the CA affirming those of the RTC are final and conclusive, and they cannot be reviewed by the Court which has jurisdiction to rule only on questions of law in Rule 45 petitions to review.<sup>[30]</sup>

The Court in *Pascual v. Burgos*<sup>[31]</sup> reiterated that:

A question of fact requires this [C]ourt to review the truthfulness or falsity of the allegations of the parties.<sup>[32]</sup> This review includes assessment of the "probative value of the evidence presented."<sup>[33]</sup> There

is also a question of fact when the issue presented before this [C]ourt is the correctness of the lower courts' appreciation of the evidence presented by the parties.<sup>[34]</sup>

There are, however, recognized exceptions where the Court may review questions of fact. These are: (1) when the factual conclusion is a finding grounded entirely on speculations, surmises and conjectures; (2) when the inference is manifestly mistaken, absurd or impossible; (3) when there is abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of fact are conflicting; (6) when the CA went beyond the issues of the case in making its findings, which are further contrary to the admissions of both the appellant and the appellee; (7) when the CA's findings are contrary to those of the trial court; (8) when the conclusions do not cite the specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; (10) when the CA's findings of fact, supposedly premised on the absence of evidence, are contradicted by the evidence on record;<sup>[35]</sup> or (11) when the CA manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.<sup>[36]</sup>

As will be demonstrated below, the Court's review of the factual findings of the courts below is justified by the fourth, tenth and eleventh exceptions the assailed judgments of the CA and the RTC are based on a misapprehension of facts; the findings of fact of the CA and the RTC, supposedly premised on the absence of evidence, are contradicted by the evidence on record; and the CA as well as the RTC manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.

At the heart of the present controversy between respondents spouses Ramon, Sr. (respondent Ramon) and Natividad Palugod (respondent Natividad), the parents of the late Jasminia and her "close friend"<sup>[37]</sup> petitioner Lolita is the (unilateral) Deed of Absolute Sale<sup>[38]</sup> (DAS) notarized on May 11, 2004 executed by Jasminia in favor of petitioner Lolita, the validity of which is the central issue in this case. The DAS partly states:

**I, JASMINIA PALOMA PALUGOD** x x x hereinafter referred to as the **VENDOR, FOR AND IN CONSIDERATION of the sum of FOUR HUNDRED THOUSAND PESOS (P400,000.00)** Philippine Currency, receipt of which is hereby acknowledged and confessed, have **SOLD, TRANSFERRED, and CONVEYED**, absolutely and perpetually to **LOLITA ESPIRITU SANTO MENDOZA** x x x hereinafter referred to as the **VENDEE**, her heirs, successors, and assigns, my **ONE HUNDRED TWENTY (120) SQUARE METERS** lot located at Habay, Bacoar, Cavite, including all improvements found therein x x x.<sup>[39]</sup>

Both the RTC and the CA declared the DAS void on the ground that it was fictitious or simulated on account of lack of consideration. According to the RTC, petitioner Lolita "admitted that she has no receipts showing the staggered payment of P400,000.00 or any agreement made between her and Jasminia as to the consideration of the subject property."<sup>[40]</sup> On the other hand, the CA stated that: