

SECOND DIVISION

[G.R. No. 179205, July 30, 2014]

HEIRS OR REYNALDO DELA ROSA, NAMELY: TEOFISTA DELA ROSA, JOSEPHINE SANTIAGO AND JOSEPH DELA ROSA, PETITIONERS, VS. MARIO A. BATONGBACAL, IRENEO BATONGBACAL, JOCELYN BATONGBACAL, NESTOR BATONGBACAL AND LOURDES BATONGBACAL, RESPONDENTS.

D E C I S I O N

PEREZ, J.:

This is a Petition for Review on *Certiorari*^[1] pursuant to Rule 45 of the Revised Rules of Court, assailing the 7 December 2006 Decision^[2] and 8 August 2007 Resolution^[3] of the Fourth Division of the Court of Appeals in CA-G.R. CV No. 64172. In its assailed Resolution, the appellate court modified its earlier ruling and proceeded to direct petitioners to execute the requisite Deed of Sale over the subject property.

The Facts

The subject property consists of a 3,750 square meter-portion of the 15,001 square meters parcel of land situated in *Barrio Saog*, Marilao, Bulacan denominated as Lot No. 1, and registered under Transfer Certificate of Title (TCT) No. T-1 07449^[4] under the names of Reynaldo Del a Rosa (Reynaldo), Eduardo Dela Rosa (Eduardo), Araceli Del a Rosa (Araceli) and Zenaida Dela Rosa (Zenaida).

Sometime in 1984, Reynaldo offered to sell the subject property to Guillermo Batongbacal (Guillermo) and Mario Batongbacal (Mario) for ₱50.00 per square meter or for a total of ₱187,500.00. Pursuant to the agreement, Reynaldo received an advance payment of ₱31,500.00 leaving a balance of ₱156,000.00. As shown in the document denominated as *Resibo* and signed by Reynaldo on 18 February 1987, the parties agreed that the amount of ₱20,000.00 as part of the advance payment shall be paid upon the delivery of the Special Power-of-Attorney (SPA), which would authorize Reynaldo to alienate the subject property on behalf of his co-owners and siblings namely, Eduardo, Araceli and Zenaida. The balance thereon shall be paid in ₱10,000.00 monthly installments until the purchase price is fully settled, to wit:

RESIBO

Tinaggap ko ngayong araw na ito kay Engr. Guillermo A. Batongbacal, ng Poblacion II, Marilao, Bulacan, ang halagang sampung libong piso (P10,000.00) salaping Pilipino, hilang bahaging hayad sa bahagi ng lupang may sukat na 3,750 sq.m. na aking kabahagi sa isang (1) lagay na lupang nasasaog, Marilao, Bulacan, sinasaklaw ng T.C.T. No. T-1

07449, ng Bulakan, na ipinagkasundo kong ipagbili sa naulit na Engr. Guillermo A. Batongbacal sa halagang Limampung Piso (P50.00) salaping Filipino, bawat isang (1) metrong parisukat. Ang paunang hayad na aking tinanggap ukol sa lupang nabanggit sa itaas ay P21 ,500.00, nuong Abril 14-18, 1984. Ang halagang dapat pa niyang bayaran sa akin ay P 156,000.00, na ang halagang dalawampung libong piso (P20,000.00) ay bahayaran niya sa akin sa araw na nag power-ofattorney nina Zenaida dela Rosa, at Enrique Magsaloc ay aking nahigay sa nasahing Engr. Guillermo A. Batongbacal; na ang nalalahing hahaging bayad ay kanyang habayaran sa akin ng Sampung libong piso (P10,000.00) salaping Pilipino, bawat buwan hanggang sa matapusan ang pagbabayad ng kabuuang halaga na Isang Daang at Walumpu't Pitong libo Limang Daang Piso (P187,500.00). Ang bahaging aking ipinagbibili ay ang Lote No. 1, may sukat na 3,750 sq.m. na makikita sa nakalakip na sketch plan na aking ding nilagdaan sa ikaliliwanag ng kasulutang ito.^[5]

Subsequent to the execution of the said agreement, Mario and Guillermo, on their own instance, initiated a survey to segregate the area of 3,750 square meters from the whole area covered by TCT No. T-107449, delineating the boundaries of the subdivided parts. As a result, they came up with a subdivision plan specifically designating the subject property signed by a Geodetic Engineer.^[6] Mario and Guillermo thereafter made several demands from Reynaldo to deliver the SPA as agreed upon, but such demands all went unheeded.

Consequently, Guillermo and Mario initiated an action for Specific Performance or Rescission and Damages before the Regional Trial Court (RTC) of Malolos, Bulacan, seeking to enforce their Contract to Sell dated 18 February 1987. In their Complaint docketed as Civil Case No. 215-M-90,^[7] Mario and Guillermo asserted that they have a better right over the subject property and alleged that the subsequent sale thereof effected by Reynaldo to third persons is void as it was done in bad faith. It was prayed in the Complaint that Reynaldo be directed to deliver the SPA and, in case of its impossibility, to return the amount of P31,500.00 with legal interest and with damages in either case.

To protect their rights on the subject property, Mario and Guillermo, after initiating Civil Case No. 215-M-90, filed a Notice of *Lis Pendens* registering their claim on the certificate of title covering the entire property.

In refuting the allegations of Mario and Guillermo in their Complaint. Reynaldo in his Answer^[8] countered that the purported Contract to Sell is void, because he never gave his consent thereto. Reynaldo insisted that he was made to understand that the contract between him and the Batongbacals was merely an equitable mortgage whereby it was agreed that the latter will loan to him the amount of P31,500.00 payable once he receives his share in the proceeds of the sale of the land registered under TCT No. T-1 07449.

Following the pre-trial conference without the parties reaching an amicable settlement, trial on the merits ensued.^[9] Both parties proceeded to present, in open court, documentary and testimonial evidence to substantiate their claims.

For failure of Mario and Guillermo as plaintiffs therein to adduce sufficient evidence to support their complaint, the RTC, in a Decision^[10] dated 24 March 1999, dismissed Civil Case No. 215-M-90 and ordered Reynaldo to return to the former the sum of P28,000.00 with 12% annual interest. Reynaldo failed to convince the court *a quo* that the contract he entered into with Mario was an equitable mortgage. It was held by the trial court, however, that the supposed Contract to Sell denominated as *Resibo* is unenforceable under Article 1403 of the New Civil Code because Reynaldo cannot bind his co-owners into such contract without an SPA authorizing him to do so. As such, Reynaldo cannot be compelled to deliver the subject property but he was nonetheless ordered by the court to return the amount he received as part of the contract price since no one should be allowed to unjustly enrich himself at the expense of another. The RTC disposed in this wise:

WHEREFORE, premises considered[,], the instant complaint is hereby DISMISSED.

However, [Reynaldo is] hereby ordered to return to [Mario and Guillermo] of the sum of 28,000.00 plus 12% interest per annum from the date of this decision until fully paid.^[11]

On appeal, the Court of Appeals, in its Decision^[12] dated 7 December 2006, brushed aside the claim of equitable mortgage and held that the sale effected by Reynaldo of his undivided share in the property is valid and enforceable. According to the appellate court, no SPA is necessary for Reynaldo's disposition of his undivided share as it is limited to the portion that may be allotted to him upon the termination of the co-ownership. The Batongbacals could have validly demanded from Reynaldo to deliver the subject property pursuant to the Contract to Sell but such option is no longer feasible because the entire property has already been sold to third persons to whom a new title was issued. The appellate court thus proceeded to rescind the contract and ordered Reynaldo to return the amount he received as consideration thereby restoring the parties to their situation before entering into the agreement. The decretal portion of the decision reads:

In the course of the trial, Guillermo died and he was substituted by his heirs as party to the case.

WHEREFORE, the decision dated March 24, 1999 is AFFIRMED with modification that appellee is ordered to return to appellants the amount of P31,500.00 plus 12% interest per annum from the date of decision of the trial court until full payment thereof.

In addition, the appellee is ordered:

1. To pay appellants P50,000.00 as compensatory damages; P50,000.00 as moral damages; and P30,000.00 as exemplary damages.
2. To pay attorney's fees and litigation expenses of P50,000.00; and
3. Double costs.^[13]

In seeking modification of the appellate court's decision, Mario and Guillermo pointed out that the title of the subject property has not yet been transferred to third persons, and thus, Reynaldo can still be compelled to execute a deed of conveyance over his undivided share of the entire property.

In a Resolution^[14] dated 8 August 2007, the Court of Appeals granted the Motion for Reconsideration of Mario and Guillermo and directed Reynaldo to convey the subject property to them, viz:

WHEREFORE, [Reynaldo's] Motion for Reconsideration is DENIED for lack of merit.

Upon the other hand, [Mario and Guillermo] Motion for Reconsideration is GRANTED. Accordingly, the decision dated December 7, 2006 is PARTIALLY RECONSIDERED ordering defendant-appellee Reynaldo dela Rosa or his successor-in-interest to execute the requisite Deed of Sale over his 1/4 undivided share in the subject property covered by TCT T-107449 and to accept the consideration of P156,000.00 within thirty (30) days from the finality of the decision.

In case of failure of [Reynaldo] to execute the deed of sale, the Branch Clerk of Court of RTC Br. 16 of Malolos, Bulacan is directed to execute the same and receive the P156,000.00 balance on the purchase price on behalf of Reynaldo dela Rosa.^[15]

On 9 September 2007, the appellate court was notified of the death of Reynaldo, and his heirs sought to be substituted as party in this case.^[16]

Petitioners Heirs of Reynaldo are now before this Court via this instant Petition for Review on *Certiorari* praying that the Court of Appeals Decision and Resolution be reversed on the ground that it was rendered not in accordance with the applicable law and jurisprudence.

Issues

I.

WHETHER OR NOT THERE IS A CONTRACT OF SALE BETWEEN REYNALDO DELA ROSA AND GUILLERMO BATONGBACAL;

II.

ASSUMING THAT THERE IS A CONTRACT OF SALE, WHETHER OR NOT GUILLERMO BATONGBACAL COMPLIED WITH HIS OBLIGATION [UNDER THE CONTRACT];

III.

WHETHER OR NOT RESPONDENTS ARE GUILTY OF LACHES;

IV.

WHETHER OR NOT MARIO BATONGBACAL IS A PARTY TO THE TRANSACTION BETWEEN REYNALDO DELA ROSA AND GUILLERMO BATONGBACAL;

V.

WHETHER OR NOT RESPONDENT[S] ARE ENTITLED TO AN AWARD OF DAMAGES;

VI.

ASSUMING ARGUENDO THAT RESPONDENTS ARE ENTITLED TO AWARD OF DAMAGES. WHETHER OR NOT THE COURT OF APPEALS' AWARD OF DAMAGES WAS EXCESSIVE. ^[17]

The various contentions revolve on the sole issue of whether the contract entered into by parties was a Contract to Sell or an equitable mortgage. The Court will not delve into questions which are factual in nature, consistent with the rule that this Court is not a trier of facts.

The Court's Ruling

In assailing the Court of Appeals' Decision and Resolution, petitioners are unflinching in their stand that the disputed contract purporting to be an absolute deed of sale was an equitable mortgage with the subject property as security for a loan obligation. To prove their point, petitioners asserted that the consideration in the amount of P187,500.00 for a property consisting of 15,001 square meters is grossly inadequate because the land valuation in *Barrio Saog, Marilao, Bulacan*, at the time the transaction was entered into by the parties in 1984, was already P80.00 to P110.00 per square meter. The gross inadequacy of the price, the Heirs of Reynaldo argued, is telling of the intention of the parties to mortgage and not to sell the property with the end view of affording the mortgagor an easy opportunity to redeem the property should his means permit him to do so.

An equitable mortgage is defined as one although lacking in some formality, or form or words, or other requisites demanded by a statute, nevertheless reveals the intention of the parties to charge real property as security for a debt, and contains nothing impossible or contrary to law. For the presumption of an equitable mortgage to arise, two requisites must concur: (1) that the parties entered into a contract denominated as a sale; and (2) the intention was to secure an existing debt by way of mortgage. Consequently, the non-payment of the debt when due gives the mortgagee the right to foreclose the mortgage, sell the property and apply the proceeds of the sale for the satisfaction of the loan obligation.^[18] While there is no single test to determine whether the deed of absolute sale on its face is really a simple loan accommodation secured by a mortgage, the Civil Code, however, enumerates several instances when a contract is presumed to be an equitable