

## THIRD DIVISION

[ G.R. No. 173211, October 11, 2012 ]

**HEIRS OF DR. MARIO S. INTAC AND ANGELINA MENDOZA-INTAC, PETITIONERS, VS. COURT OF APPEALS AND SPOUSES MARCELO ROY, JR. AND JOSEFINA MENDOZA-ROY AND SPOUSES DOMINADOR LOZADA AND MARTINA MENDOZA-LOZADA, RESPONDENTS.**

### D E C I S I O N

#### **MENDOZA, J.:**

This is a Petition for Review on *Certiorari* under Rule 45 assailing the February 16, 2006 Decision<sup>[1]</sup> of the Court of Appeals (CA), in CA G.R. CV No. 75982, which modified the April 30, 2002 Decision<sup>[2]</sup> of the Regional Trial Court, Branch 220, Quezon City (RTC), in Civil Case No. Q-94-19452, an action for cancellation of transfer certificate of title and reconveyance of property.

#### **The Facts**

From the records, it appears that Ireneo Mendoza (*Ireneo*), married to Salvacion Fermin (*Salvacion*), was the owner of the subject property, presently covered by TCT No. 242655 of the Registry of Deeds of Quezon City and situated at No. 36, Road 8, Bagong Pag-asa, Quezon City, which he purchased in 1954. Ireneo had two children: respondents Josefina and Martina (*respondents*), Salvacion being their stepmother. When he was still alive, Ireneo, also took care of his niece, Angelina, since she was three years old until she got married. The property was then covered by TCT No. 106530 of the Registry of Deeds of Quezon City. On October 25, 1977, Ireneo, with the consent of Salvacion, executed a deed of absolute sale of the property in favor of Angelina and her husband, Mario (*Spouses Intac*). Despite the sale, Ireneo and his family, including the respondents, continued staying in the premises and paying the realty taxes. After Ireneo died intestate in 1982, his widow and the respondents remained in the premises.<sup>[3]</sup> After Salvacion died, respondents still maintained their residence there. Up to the present, they are in the premises, paying the real estate taxes thereon, leasing out portions of the property, and collecting the rentals.<sup>[4]</sup>

#### **The Dispute**

The controversy arose when respondents sought the cancellation of TCT No. 242655, claiming that the sale was only simulated and, therefore, void. Spouses Intac resisted, claiming that it was a valid sale for a consideration.

On February 22, 1994, respondents filed the Complaint for Cancellation of Transfer Certificate of Title (TCT) No. 242655<sup>[5]</sup> against Spouses Intac before the RTC. The

complaint prayed not only for the cancellation of the title, but also for its reconveyance to them. Pending litigation, Mario died on May 20, 1995 and was substituted by his heirs, his surviving spouse, Angelina, and their children, namely, Rafael, Kristina, Ma. Tricia Margarita, Mario, and Pocholo, all surnamed Intac (*petitioners*).

### **Averments of the Parties**

In their **Complaint**, respondents alleged, among others, that when Ireneo was still alive, Spouses Intac borrowed the title of the property (TCT No. 106530) from him to be used as collateral for a loan from a financing institution; that when Ireneo informed respondents about the request of Spouses Intac, they objected because the title would be placed in the names of said spouses and it would then appear that the couple owned the property; that Ireneo, however, tried to appease them, telling them not to worry because Angelina would not take advantage of the situation considering that he took care of her for a very long time; that during his lifetime, he informed them that the subject property would be equally divided among them after his death; and that respondents were the ones paying the real estate taxes over said property.

It was further alleged that after the death of Ireneo in 1982, a conference among relatives was held wherein both parties were present including the widow of Ireneo, Salvacion; his nephew, Marietto Mendoza (*Marietto*); and his brother, Aurelio Mendoza (*Aurelio*). In the said conference, it was said that Aurelio informed all of them that it was Ireneo's wish to have the property divided among his heirs; that Spouses Intac never raised any objection; and that neither did they inform all those present on that occasion that the property was already sold to them in 1977.<sup>[6]</sup>

Respondents further alleged that sometime in 1993, after the death of Salvacion, rumors spread in the neighborhood that the subject property had been registered in the names of Spouses Intac; that upon verification with the Office of the Register of Deeds of Quezon City, respondents were surprised to find out that TCT No. 106530 had indeed been cancelled by virtue of the deed of absolute sale executed by Ireneo in favor of Spouses Intac, and as a result, TCT No. 242655 was issued in their names; that the cancellation of TCT No. 106530 and the subsequent issuance of TCT No. 242655 were null and void and had no legal effect whatsoever because the deed of absolute sale was a fictitious or simulated document; that the Spouses Intac were guilty of fraud and bad faith when said document was executed; that Spouses Intac never informed respondents that they were already the registered owners of the subject property although they had never taken possession thereof; and that the respondents had been in possession of the subject property in the concept of an owner during Ireneo's lifetime up to the present.

In their **Answer**,<sup>[7]</sup> Spouses Intac countered, among others, that the subject property had been transferred to them based on a valid deed of absolute sale and for a valuable consideration; that the action to annul the deed of absolute sale had already prescribed; that the stay of respondents in the subject premises was only by tolerance during Ireneo's lifetime because they were not yet in need of it at that time; and that despite respondents' knowledge about the sale that took place on October 25, 1977, respondents still filed an action against them.

### **Ruling of the RTC**

On April 30, 2002, the RTC rendered judgment in favor of respondents and against Spouses Intac. The dispositive portion of its Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered:

- (1) Declaring the Deed of Absolute Sale executed by Ireneo Mendoza in favor of Mario and Angelina Intac dated October 25, 1977 as an equitable mortgage;
- (2) Ordering the Register of Deeds of Quezon City to cancel Transfer Certificate Title No. 242655 and, in lieu thereof, issue a new Transfer Certificate of Title in the name of Ireneo Mendoza; and
- (3) Ordering defendants to pay plaintiffs the amount of Thirty Thousand Pesos (Php30,000.00) as and for attorney's fees.

The other claims for damages are hereby denied for lack of merit.

SO ORDERED. <sup>[8]</sup>

The RTC ruled, among others, that the sale between Ireneo and Salvacion, on one hand, and Spouses Intac was null and void for being a simulated one considering that the said parties had no intention of binding themselves at all. It explained that the questioned deed did not reflect the true intention of the parties and construed the said document to be an equitable mortgage on the following grounds: [1] the signed document did not express the real intention of the contracting parties because Ireneo signed the said document only because he was in urgent need of funds; [2] the amount of P60,000.00 in 1977 was too inadequate for a purchase price of a 240-square meter lot located in Quezon City; [3] Josefina and Martina continued to be in possession of the subject property from 1954 and even after the alleged sale took place in 1977 until this case was filed in 1994; and [4] the Spouses Intac started paying real estate taxes only in 1999. The RTC added that the Spouses Intac were guilty of fraud because they effected the registration of the subject property even though the execution of the deed was not really intended to transfer the ownership of the subject property.

### **Ruling of the CA**

On appeal, the CA modified the decision of the RTC. The CA ruled that the RTC erred in first declaring the deed of absolute sale as null and void and then interpreting it to be an equitable mortgage. The CA believed that Ireneo agreed to have the title transferred in the name of the Spouses Intac to enable them to facilitate the processing of the mortgage and to obtain a loan. This was the exact reason why the deed of absolute sale was executed. Marietto testified that Ireneo never intended to sell the subject property to the Spouses Intac and that the deed of sale was executed to enable them to borrow from a bank. This fact was confirmed by Angelina herself when she testified that she and her husband mortgaged the subject property sometime in July 1978 to finance the construction of a small hospital in

Sta. Cruz, Laguna.

The CA further observed that the conduct of Spouses Intac belied their claim of ownership. When the deed of absolute sale was executed, Spouses Intac never asserted their ownership over the subject property, either by collecting rents, by informing respondents of their ownership or by demanding possession of the land from its occupants. It was not disputed that it was respondents who were in possession of the subject property, leasing the same and collecting rentals. Spouses Intac waited until Ireneo and Salvacion passed away before they disclosed the transfer of the title to respondents. Hence, the CA was of the view that the veracity of their claim of ownership was suspicious.

Moreover, wrote the CA, although Spouses Intac claimed that the purchase of the subject property was for a valuable consideration (P60,000.00), they admitted that they did not have any proof of payment. Marietto, whose testimony was assessed by the RTC to be credible, testified that there was no such payment because Ireneo never sold the subject property as he had no intention of conveying its ownership and that his only purpose in lending the title was to help Spouses Intac secure a loan. Thus, the CA concluded that the deed of absolute sale was a simulated document and had no legal effect.

Finally, the CA stated that even assuming that there was consent, the sale was still null and void because of lack of consideration. The decretal portion of the CA Decision reads:

WHEREFORE, in view of the foregoing premises, the decision of the Regional Trial Court of Quezon City, Branch 220, is AFFIRMED with modifications, as follows:

1. The Deed of Absolute Sale dated October 25, 1977 executed by Ireneo Mendoza and Salvacion Fermen in favor of Spouses Mario and Angelina Intac is hereby declared NULL AND VOID;
2. the Register of Deed[s] of Quezon City is ordered to cancel TCT No. 242655 and, in lieu thereof, issue a new one and reinstate Ireneo Mendoza as the registered owner;
3. The defendant appellants are hereby ordered to pay the plaintiff appellees the amount of thirty thousand pesos (Php30,000.00) as and for attorney's fees; and
4. The other claims for damages are denied for lack of merit.

SO ORDERED.<sup>[9]</sup>

Not in conformity, petitioners filed this petition for review anchored on the following

### **ASSIGNMENT OF ERRORS**

**THE HONORABLE COURT OF APPEALS GRAVELY ERRED WHEN IT AFFIRMED THE DECISION OF THE REGIONAL TRIAL COURT DATED FEBRUARY 16, 2006 WHICH WAS CONTRARY TO THE APPLICABLE LAWS AND EXISTING JURISPRUDENCE.**

## **II**

**THE HONORABLE COURT OF APPEALS GRAVELY ERRED WHEN IT CLEARLY OVERLOOKED, MISUNDERSTOOD AND/OR MISAPPLIED THE EVIDENCE PRESENTED IN THE COURT A QUO.**<sup>[10]</sup>

### **Petitioners' position**

Petitioners primarily argue that the subject deed of sale was a valid and binding contract between the parties. They claim that all the elements of a valid contract of sale were present, to wit: [a] consent or meeting of the minds, that is, consent to transfer ownership in exchange of price; [b] determinate subject matter; and [c] price certain in money or its equivalent.

Petitioners claim that respondents have validly gave their consent to the questioned sale of the subject property. In fact, it was Ireneo and Salvacion who approached them regarding their intention to sell the subject property. Ireneo and Salvacion affixed their signatures on the questioned deed and never brought any action to invalidate it during their lifetime. They had all the right to sell the subject property without having to inform their children of their intention to sell the same. Ordinary human experience dictates that a party would not affix his or her signature on any written instrument which would result in deprivation of one's property right if there was really no intention to be bound by it. A party would not keep silent for several years regarding the validity and due execution of a document if there was an issue on the real intention of the vendors. The signatures of Ireneo and Salvacion meant that they had knowingly and willfully entered into such agreement and that they were prepared for the consequences of their act.

### **Respondents' Position**

Respondents are of the position that the RTC and the CA were correct in ruling that the questioned deed of absolute sale was a simulated one considering that Ireneo and Salvacion had no intention of selling the subject property. The true intention rather was that Spouses Intac would just borrow the title of the subject property and offer it as a collateral to secure a loan. No money actually changed hands.

According to respondents, there were several circumstances which put in doubt the validity of the deed of absolute sale. *First*, the parties were not on equal footing because Angelina was a doctor by profession while Ireneo and Salvacion were less educated people who were just motivated by their trust, love and affection for her whom they considered as their own child. *Second*, if there was really a valid sale, it was just and proper for Spouses Intac to divulge the conveyance to respondents, being compulsory heirs, but they did not. *Third*, Ireneo and Salvacion did nothing to protect their interest because they banked on the representation of Spouses Intac that the title would only be used to facilitate a loan with a bank. *Fourth*, Ireneo and