

SECOND DIVISION

[G.R. No. 182177, March 30, 2011]

**RICHARD JUAN, PETITIONER, VS. GABRIEL YAP, SR.,
RESPONDENT.**

DECISION

CARPIO, J.:

The Case

This resolves the petition for review^[1] of the ruling^[2] of the Court of Appeals finding petitioner Richard Juan as trustee of an implied trust over a mortgage contract in favor of respondent Gabriel Yap, Sr.

The Facts

On 31 July 1995, the spouses Maximo and Dulcisima Cañeda (Cañeda spouses) mortgaged to petitioner Richard Juan (petitioner), employee and nephew of respondent Gabriel Yap, Sr. (respondent), two parcels of land in Talisay, Cebu to secure a loan of P1.68 million, payable within one year. The Contract was prepared and notarized by Atty. Antonio Solon (Solon).

On 30 June 1998, petitioner, represented by Solon, sought the extrajudicial foreclosure of the mortgage. Although petitioner and respondent participated in the auction sale, the properties were sold to petitioner for tendering the highest bid of P2.2 million.^[3] No certificate of sale was issued to petitioner, however, for his failure to pay the sale's commission.^[4]

On 15 February 1999, respondent and the Cañeda spouses executed a memorandum of agreement (MOA) where (1) the Cañeda spouses acknowledged respondent as their "real mortgagee-creditor x x x while Richard Juan [petitioner] is merely a trustee"^[5] of respondent; (2) respondent agreed to allow the Cañeda spouses to redeem the foreclosed properties for P1.2 million; and (3) the Cañeda spouses and respondent agreed to initiate judicial action "either to annul or reform the [Contract] or to compel Richard Juan to reconvey the mortgagee's rights"^[6] to respondent as trustor. Three days later, the Cañeda spouses and respondent sued petitioner in the Regional Trial Court of Cebu City (trial court) to declare respondent as trustee of petitioner *vis a vis* the Contract, annul petitioner's bid for the foreclosed properties, declare the Contract "superseded or novated" by the MOA, and require petitioner to pay damages, attorney's fees and the costs. The Cañeda spouses consigned with the trial court the amount of P1.68 million as redemption payment.

In his Answer, petitioner insisted on his rights over the mortgaged properties.

Petitioner also counterclaimed for damages and attorney's fees and the turn-over of the owner's copy of the titles for the mortgaged properties.

The Ruling of the Trial Court

The trial court ruled against respondent and his co-plaintiffs and granted reliefs to petitioner by declaring petitioner the "true and real" mortgagee, ordering respondent to pay moral damages and attorney's fees, and requiring respondent to deliver the titles in question to petitioner.^[7] The trial court, however, granted the Cañeda spouses' prayer to redeem the property and accordingly ordered the release of the redemption payment to petitioner. In arriving at its ruling, the trial court gave primacy to the terms of the Contract, rejecting respondent's theory in light of his failure to assert beneficial interest over the mortgaged properties for nearly four years.

Respondent appealed to the Court of Appeals (CA), imputing error in the trial court's refusal to recognize a resulting trust between him and petitioner and in granting monetary reliefs to petitioner.

Ruling of the Court of Appeals

The CA granted the petition, set aside the trial court's ruling, declared respondent the Contract's mortgagee, directed the trial court to release the redemption payment to respondent, and ordered petitioner to pay damages and attorney's fees.^[8] The CA found the following circumstances crucial in its concurrence with respondent's theory, notwithstanding the terms of the Contract: (1) Solon testified that he drew up the Contract naming petitioner as mortgagee upon instructions of respondent; (2) Dulcisima Cañeda acknowledged respondent as the creditor from whom she and her husband obtained the loan the Contract secured; and (3) respondent shouldered the payment of the foreclosure expenses.^[9] Instead, however, of annulling the Contract, the CA held that reformation was the proper remedy, with the MOA "serv[ing] as the correction done by the parties to reveal their true intent."^[10]

In this petition, petitioner prays for the reversal of the CA's ruling. Petitioner relies on the terms of the Contract, and argues that respondent's proof of a resulting trust created in his favor is weak. Petitioner also assails the award of damages to respondent for lack of basis.

On the other hand, respondent questions the propriety of this petition for raising only factual questions, incompatible with the office of a petition for review on certiorari. Alternatively, respondent argues that the pieces of parol evidence the CA used to anchor its ruling are more than sufficient to prove the existence of an implied trust between him and petitioner.

The Issues

The petition raises the following questions:

1. Whether an implied trust arose between petitioner and respondent, binding petitioner to hold the beneficial title over the mortgaged properties in trust for respondent; and
2. Whether respondent is entitled to collect damages.

The Ruling of the Court

We hold in the affirmative on both questions, and thus affirm the CA.

Conflicting Rulings Below Justify Rule 45 Review

The question of the existence of an implied trust is factual,^[11] hence, ordinarily outside the purview of a Rule 45 review of purely legal questions.^[12] Nevertheless, our review is justified by the need to make a definitive finding on this factual issue in light of the conflicting rulings rendered by the courts below.^[13]

Implied Trust in Mortgage Contracts

An implied trust arising from mortgage contracts is not among the trust relationships the Civil Code enumerates.^[14] The Code itself provides, however, that such listing "does not exclude others established by the general law on trust x x x."^[15] Under the general principles on trust, equity converts the holder of property right as trustee for the benefit of another if the circumstances of its acquisition makes the holder ineligible "in x x x good conscience [to] hold and enjoy [it]."^[16] As implied trusts are remedies against unjust enrichment, the "only problem of great importance in the field of constructive trusts is whether in the numerous and varying factual situations presented x x x there is a wrongful holding of property and hence, a threatened unjust enrichment of the defendant."^[17]

Applying these principles, this Court recognized unconventional implied trusts in contracts involving the purchase of housing units by officers of tenants' associations in breach of their obligations,^[18] the partitioning of realty contrary to the terms of a compromise agreement,^[19] and the execution of a sales contract indicating a buyer distinct from the provider of the purchase money.^[20] In all these cases, the formal holders of title were deemed trustees obliged to transfer title to the beneficiaries in whose favor the trusts were deemed created. We see no reason to bar the recognition of the same obligation in a mortgage contract meeting the standards for the creation of an implied trust.

Parol Evidence Favor Respondent

The resolution of this appeal hinges on the appreciation of two conflicting sets of proofs - petitioner's (based on the mortgage contract) or respondent's (based on parol evidence varying the terms of the mortgage contract, allowed under the Civil Code^[21]). After a review of the records, we find no reason to reverse the ruling of the CA finding respondent's case convincing.