

## THIRD DIVISION

[ G.R. No. 167884, January 20, 2009 ]

**ENRICO S. EULOGIO, PETITIONER, VS. SPOUSES CLEMENTE APELES<sup>[1]</sup> AND LUZ APELES, RESPONDENTS.**

### D E C I S I O N

**CHICO-NAZARIO, J.:**

Petitioner Enrico S. Eulogio (Enrico) filed this instant Petition for Review on *Certiorari* under Rule 45 of the Revised Rules of Court assailing the Decision<sup>[2]</sup> dated 20 December 2004 of the Court of Appeals in CA-G.R. CV No. 76933 which reversed the Decision<sup>[3]</sup> dated 8 October 2002 of the Regional Trial Court (RTC) of Quezon City, Branch 215, in Civil Case No. Q-99-36834. The RTC directed respondents, spouses Clemente and Luz Apeles (spouses Apeles) to execute a Deed of Sale over a piece of real property in favor of Enrico after the latter's payment of full consideration therefor.

The factual and procedural antecedents of the present case are as follows:

The real property in question consists of a house and lot situated at No. 87 Timog Avenue, Quezon City (subject property). The lot has an area of 360.60 square meters, covered by Transfer Certificate of Title No. 253990 issued by the Registry of Deeds of Quezon City in the names of the spouses Apeles.<sup>[4]</sup>

In 1979, the spouses Apeles leased the subject property to Arturo Eulogio (Arturo), Enrico's father. Upon Arturo's death, his son Enrico succeeded as lessor of the subject property. Enrico used the subject property as his residence and place of business. Enrico was engaged in the business of buying and selling imported cars.<sup>[5]</sup>

On 6 January 1987, the spouses Apeles and Enrico allegedly entered into a Contract of Lease<sup>[6]</sup> with Option to Purchase involving the subject property. According to the said lease contract, Luz Apeles was authorized to enter into the same as the attorney-in-fact of her husband, Clemente, pursuant to a Special Power of Attorney executed by the latter in favor of the former on 24 January 1979. The contract purportedly afforded Enrico, before the expiration of the three-year lease period, the option to purchase the subject property for a price not exceeding P1.5 Million. The pertinent provisions of the Contract of Lease are reproduced below:

3. That this Contract shall be effective commencing from January 26, 1987 and shall remain valid and binding for THREE (3) YEARS from the said date. The LESSOR hereby gives the LESSEE under this Contract of Lease the right and option to buy the subject house and lot within the said 3-year lease period.

4. That the purchase price or total consideration of the house and lot subject of this Contract of Lease shall, should the LESSEE exercise his option to buy it on or before the expiration of the 3-year lease period, be fixed or agreed upon by the LESSOR and the LESSEE, Provided, that the said purchase price, as it is hereby agreed, shall not be more than ONE MILLION FIVE HUNDRED THOUSAND PESOS (P1,500,000.00) and, provided further, that the monthly rentals paid by the LESSEE to the LESSOR during the 3-year lease period shall form part of or be deducted from the purchase price or total consideration as may hereafter be mutually fixed or agreed upon by the LESSOR and the LESSEE.

5. That if the LESSEE shall give oral or written notice to the LESSOR on or before the expiry date of the 3-year lease period stipulated herein of his desire to exercise his option to buy or purchase the house and lot herein leased, the LESSOR upon receipt of the purchase price/total consideration as fixed or agreed upon less the total amount of monthly rentals paid the LESSEE during the 3-year lease period shall execute the appropriate Deed to SELL, TRANSFER and CONVEY the house and lot subject of this Contract in favor of the LESSEE, his heirs, successors and assigns, together with all the fixtures and accessories therein, free from all liens and encumbrances.

Before the expiration of the three-year lease period provided in the lease contract, Enrico exercised his option to purchase the subject property by communicating verbally and in writing to Luz his willingness to pay the agreed purchase price, but the spouses Apeles supposedly ignored Enrico's manifestation. This prompted Enrico to seek recourse from the *barangay* for the enforcement of his right to purchase the subject property, but despite several notices, the spouses Apeles failed to appear before the *barangay* for settlement proceedings. Hence, the *barangay* issued to Enrico a Certificate to File Action.<sup>[7]</sup>

In a letter dated 26 January 1997 to Enrico, the spouses Apeles demanded that he pay his rental arrears from January 1991 to December 1996 and he vacate the subject property since it would be needed by the spouses Apeles themselves.

Without heeding the demand of the spouses Apeles, Enrico instituted on 23 February 1999 a Complaint for Specific Performance with Damages against the spouses Apeles before the RTC, docketed as Civil Case No. Q-99-36834. Enrico's cause of action is founded on paragraph 5 of the Contract of Lease with Option to Purchase vesting him with the right to acquire ownership of the subject property after paying the agreed amount of consideration.

Following the pre-trial conference, trial on the merits ensued before the RTC.

Enrico himself testified as the sole witness for his side. He narrated that he and Luz entered into the Contract of Lease with Option to Purchase on 26 January 1987, with Luz signing the said Contract at Enrico's office in Timog Avenue, Quezon City. The Contract was notarized on the same day as evidenced by the Certification on the Notary Public's Report issued by the Clerk of Court of the RTC of Manila.<sup>[8]</sup>

On the other hand, the spouses Apeles denied that Luz signed the Contract of Lease with Option to Purchase, and posited that Luz's signature thereon was a forgery. To

buttress their contention, the spouses Apeles offered as evidence Luz's Philippine Passport which showed that on 26 January 1987, the date when Luz allegedly signed the said Contract, she was in the United States of America. The spouses Apeles likewise presented several official documents bearing her genuine signatures to reveal their remarkable discrepancy from the signature appearing in the disputed lease contract. The spouses Apeles maintained that they did not intend to sell the subject property.<sup>[9]</sup>

After the spouses Apeles established by documentary evidence that Luz was not in the country at the time the Contract of Lease with Option to Purchase was executed, Enrico, in rebuttal, retracted his prior declaration that the said Contract was signed by Luz on 26 January 1996. Instead, Enrico averred that Luz signed the Contract after she arrived in the Philippines on 30 May 1987. Enrico further related that after Luz signed the lease contract, she took it with her for notarization, and by the time the document was returned to him, it was already notarized.<sup>[10]</sup>

On 8 October 2002, the RTC rendered a Decision in Civil Case No. Q-99-36834 in favor of Enrico. Since none of the parties presented a handwriting expert, the RTC relied on its own examination of the specimen signatures submitted to resolve the issue of forgery. The RTC found striking similarity between Luz's genuine signatures in the documents presented by the spouses Apeles themselves and her purportedly forged signature in the Contract of Lease with Option to Purchase. Absent any finding of forgery, the RTC bound the parties to the clear and unequivocal stipulations they made in the lease contract. Accordingly, the RTC ordered the spouses Apeles to execute a Deed of Sale in favor of Enrico upon the latter's payment of the agreed amount of consideration. The *fallo* of the RTC Decision reads:

WHEREFORE, this Court finds [Enrico's] complaint to be substantiated by preponderance of evidence and accordingly orders -

(1) [The spouses Apeles] to comply with the provisions of the Contract of Lease with Option to Purchase; and upon payment of total consideration as stipulated in the said CONTRACT for [the spouses Apeles] to execute a Deed of Absolute Sale in favor of [Enrico], over the parcel of land and the improvements existing thereon located at No. 87 Timog Avenue, Quezon City.

(2) [The spouses Apeles] to pay [Enrico] moral and exemplary damages in the respective amounts of P100,000.00 and P50,000.00.

(3) [The spouses Apeles] to pay attorney's fees of P50,000.00 and costs of the suit.<sup>[11]</sup>

The spouses Apeles challenged the adverse RTC Decision before the Court of Appeals and urged the appellate court to nullify the assailed Contract of Lease with Option to Purchase since Luz's signature thereon was clearly a forgery. The spouses Apeles argued that it was physically impossible for Luz to sign the said Contract on 26 January 1987 since she was not in the Philippines on that date and returned five months thereafter. The spouses Apeles called attention to Enrico's inconsistent declarations as to material details involving the execution of the lease contract, thereby casting doubt on Enrico's credibility, as well as on the presumed regularity of the contract as a notarized document.

On 20 December 2004, the Court of Appeals rendered a Decision in CA-G.R. CV No. 76933 granting the appeal of the spouses Apeles and overturning the judgment of the RTC. In arriving at its assailed decision, the appellate court noted that the Notary Public did not observe utmost care in certifying the due execution of the Contract of Lease with Option to Purchase. The Court of Appeals chose not to accord the disputed Contract full faith and credence. The Court of Appeals held, thus:

WHEREFORE, the foregoing premises considered, the appealed decision dated October 8, 2002 of the Regional Trial Court of Quezon City, Branch 215 in Civil Case No. Q-99-36834 for specific performance with damages is hereby REVERSED and a new is one entered dismissing [Enrico's] complaint.<sup>[12]</sup>

Enrico's Motion for Reconsideration was denied by the Court of Appeals in a Resolution<sup>[13]</sup> dated 25 April 2005.

Enrico is presently before this Court seeking the reversal of the unfavorable judgment of the Court of Appeals, assigning the following errors thereto:

I.

THE COURT OF APPEALS COMMITTED (sic) REVERSIBLE ERROR WHEN IT BRUSHED ASIDE THE RULING OF THE COURT A QUO UPHOLDING THE VALIDITY OF THE CONTRACT OF LEASE WITH OPTION TO PURCHASE AND IN LIEU THEREOF RULED THAT THE SAID CONTRACT OF LEASE WAS A FORGERY AND THUS, NULL AND VOID.

II.

THE COURT OF APPEALS COMMITTED (sic) REVERSIBLE ERROR WHEN CONTRARY TO THE FINDINGS OF THE COURT A QUO IT RULED THAT THE DEFENSE OF FORGERY WAS SUBSTANTIALLY AND CONVINCINGLY PROVEN BY COMPETENT EVIDENCE.

Simply, Enrico faults the Court of Appeals for disturbing the factual findings of the RTC in disregard of the legal aphorism that the factual findings of the trial court should be accorded great weight and respect on appeal.

We do not agree.

Enrico's insistence on the infallibility of the findings of the RTC seriously impairs the discretion of the appellate tribunal to make independent determination of the merits of the case appealed before it. Certainly, the Court of Appeals cannot swallow hook, line, and sinker the factual conclusions of the trial court without crippling the very office of review. Although we have indeed held that the factual findings of the trial courts are to be accorded great weight and respect, they are not absolutely conclusive upon the appellate court.<sup>[14]</sup>

The reliance of appellate tribunals on the factual findings of the trial court is based on the postulate that the latter had firsthand opportunity to hear the witnesses and to observe their conduct and demeanor during the proceedings. However, when such