

FIRST DIVISION

[G.R. No. 149801, June 26, 2008]

**SPOUSES RENATO AND FLORINDA DELA CRUZ, PETITIONERS,
VS. SPOUSES GIL AND LEONILA SEGOVIA, RESPONDENTS.**

DECISION

LEONARDO-DE CASTRO, J.:

Before the Court is a petition for review on certiorari under Rule 45 of the Rules of Court assailing the April 17, 2001 Decision^[1] of the Court of Appeals (CA) in CA-G.R. CV No. 64487, as reiterated in its Resolution^[2] of September 4, 2001, affirming the decision of the Regional Trial Court (RTC) of Manila, Branch 44 in its Civil Case No. 96-77509, an action for Nullity of Contract/Agreement with Damages thereat commenced by spouses Renato and Florinda dela Cruz (petitioners) against respondent spouses Gil and Leonila Segovia.

The facts, as culled from the records, are as follows.

Sometime in July 1985, petitioner Florinda dela Cruz (Florinda) wanted to purchase two (2) parcels of land located at Paltok Street, Sta. Mesa, Manila, Lot 503 with an apartment unit erected thereon and Lot 505 with a residential house. The two lots were being sold together for P180,000.00. Inasmuch as Florinda had only P144,000.00 at hand, she asked her sister, respondent Leonila Segovia (Leonila), to contribute P36,000.00 to complete the purchase price. The sisters agreed that Lot 503 and the apartment unit thereat would belong to Leonila upon full payment of its purchase price of P80,000.00, while Lot 505 with a residential house would belong to Florinda. The properties were then registered in the name of petitioner Renato dela Cruz married to Florinda. The parties, however, verbally agreed that Leonila and her family would stay at Lot 505 until she had fully paid for Lot 503.

Desiring to reduce the verbal agreement into writing, the parties executed and signed a handwritten covenant entitled Note of Agreement^[3] dated April 28, 1990, which read:

Ano mang oras o panahon maaring ilipat kay Mo/Gil Segovia [respondent] ang pag-aari ng sasakyan at bahay kung mababayaran nila ang P18,000 at P34,000 na balance sa Apt. na walang ano mang condition, interest at ano mang hangad hanggang year 1999.

Ang halagang P18,000 ay may interest na 2% hanggang sa ito ay mabayaran kay Flor dela Cruz [petitioner]. Ang halagang P34,000 ay walang interest at ito ay babayaran up to 1999. Ang upa sa apt. ay cocolectahin ni Flor kapalit sa residential house.

Ang ano mang mga gastos sa papeles ay sasagutin ni Mo/Gil Segovia

[respondent] kung ililipat sa pangalan niya ang sasakyan na Pinoy Fierra-Van NEX 741. Ang pagbili sa lupa at bahay 503 Paltok ay ganoon din. (underscoring supplied)

Sometime in 1991, Linda Duval, a sister of Florinda and Leonila, arrived from the United States to attend their mother's funeral. Linda noticed the strained relations between her two siblings. When she inquired about the status of her sisters' agreement regarding Lot 503, Leonila informed Linda that the agreement was yet to be reduced into a formal contract. Linda offered to prepare a contract between Florinda and Leonila who acceded to the offer. Thus, on September 9, 1991, Florinda and Leonila signed an Agreement^[4] embodying the detailed scheme of payment for the lot covered by the sisters' agreement, to wit:

We, Gil and Leonila Segovia, husband and wife, of legal age, residing at 505 A. Paltok Street, Sta. Mesa, Manila, jointly agrees to pay Florinda dela Cruz the sum of P34,000.00 pesos Philippine currency in the following terms and conditions:

1. All previous contract or agreement is superseded by this existing contract.
2. Payment of the said amount will be payable in installment basis; in a monthly fashion respectively with no specific amount of payment within the period of ten (10) years; effectively after the contract is signed by both parties. P314.81 per month or P 3,177.77 (*sic*) per year. And by the year 1999 will be P34,000.00.
3. The borrowers (Sps. Segovia) agree to put their real property located at 505 B Paltok St., Sta. Mesa, Mla., with TCT # 177862-Registry of deeds (public document) as guarantees for the above loan, which has a monthly rent of P1,200.00 and will be collected by the Lender (Florinda) as part of the agreement of the loan.
4. As part of the agreement, the borrowers will live in the Lender's house, located at 505 Paltok St. in exchange for her property rents.
5. The lender also agrees that the borrowers manage the collection of rents around the house and endorse said rents to the owner who is the Lender. Lender gives her full consent to the borrowers to sub-rent whatever rooms she chooses inside her premises.
6. If payment was not made after ten (10) years, the Lender will take ownership of the property described above.
7. If payment is made on or before the due date of the agreement, the Lender shall immediately take care of all the necessary action with regards to impediment, attachment, encumbrances to the property.

x x x

After the Note of Agreement of April 28, 1990 and Agreement of September 9, 1991, Leonila continued paying the balance she owed Florinda. Particularly, she paid the amount of P10,000.00 in September 1990 and P7,555.44 on May 16, 1995.

Finally, in October 1995, Leonila attempted to pay the remaining balance of P26,444.56 in full satisfaction of her obligation but Florinda refused to accept the same on the ground that, the ten-year period for the payment of the balance, reckoned from July 1985, the alleged date of the verbal agreement between them, had already expired. Thereafter Florinda demanded that Leonila and her family vacate the house at 505 Paltok Street, which prompted respondents to consign the P26,444.56 in court.^[5]

On March 8, 1996, petitioners filed with the RTC of Manila, Branch 44, a complaint for Nullity of Contract/Agreement with Damages on the ground that the Agreement executed on September 9, 1991 did not contain the true intention of the parties because Florinda's consent thereto was vitiated by mistake. Allegedly, Florinda did not know that the agreement provided that the ten-year period for payment of the balance commenced from September 1991 and not from July 1985 which was her true intention.

On May 5, 1999, the RTC rendered a decision dismissing the complaint for Nullity of Contract/Agreement with Damages and declaring the subject Agreement valid and subsisting. The decision's dispositive portion reads:

WHEREFORE, in view of the foregoing considerations and a thorough examination of the evidence, and the pleadings together with the supporting documents, this Court finds the Agreement valid and subsisting - thus, the complaint filed by plaintiffs on March 8, 1996 is hereby ordered dismissed for lack of merit.

The defendants are hereby ordered to pay the amount of P26,000.00 which is the remaining balance to complete the purchase price of the 503 Paltok Street, Sta. Mesa, Manila property to the plaintiffs after which the latter and all the persons claiming under them, to surrender the ownership of 503 Paltok Street, Sta. Mesa, Manila, vacate and to surrender possession thereof.

The plaintiffs are hereby ordered to pay defendants attorney's fees in the amount of P50,000.00, and to pay the costs.

The counterclaim is denied.

SO ORDERED.^[6]

In arriving at its decision, the RTC explained:

Granting *arguendo*, that Florinda dela Cruz's allegation that she has not read the Agreement is true, signing a contract without fully knowing the stipulations does not vitiate consent. Prudence dictates that Florinda dela Cruz who presented the agreement for signature should acquaint herself first with the "fine prints" of a contract before stamping her approval thereto. As it is, the fact remains that Florinda dela Cruz signed the agreement voluntarily on September 9, 1991 binding themselves that the balance of P34,000.00 be paid in installments within ten (10) years upon signing the agreement or until 1999. Indeed, the evidence will show that Florinda dela Cruz voluntarily entered into the Agreement and

participated in the preparation thereof and after it has been prepared, the same was read to and by the parties themselves including Florinda dela Cruz and later voluntarily affixed her signature. Renato dela Cruz was also present at the time of the signing of the Agreement and presented a copy thereof.

A further reading of the complaint in paragraph 7 thereof, it is clear from the allegations that the Agreement is a valid existing contract only it did not express the intention of the parties, which may be a ground for reformation of contract only under Article 1359 of the Civil Code of the Philippines which provides that "when, there having been a meeting of the minds of the parties to a contract, their true intention is not expressed in the instrument purporting to embody the agreement, by reason of mistake, fraud, inequitable conduct or accident, one of the parties may ask for the reformation of the instrument to the end that such true intention may be expressed."

x x x

Thus, the four year period to file the action for annulment, assuming there were indeed mistakes therein which vitiated plaintiffs' [petitioners] consent commenced to run on September 9, 1991. The action had already prescribed or lapsed and plaintiffs [petitioners] could no longer ask for the annulment of the agreement.

As to the contention that the subject agreement had no force and effect on account of the absence of the signature of Florinda's husband, petitioner Renato dela Cruz (Renato), the RTC ruled to the contrary, thus:

Indeed, Renato dela Cruz did not sign the Agreement, however, he was present at the time the Agreement was signed by the parties and their witnesses, and the same was presented to him for his signature. In fact, attempts were even made to procure his signature, but plaintiff wife Florinda dela Cruz insisted that her signature already carries that of her husband Renato dela Cruz. The parties never insisted that Renato dela Cruz sign the Agreement as the wife has spoken. It is further observed that by his actuations Renato dela Cruz has agreed and has given his conformity to the agreement. He also did not object to the execution of the same at the time it was signed by his wife Florinda dela Cruz on September 9, 1991, even he was present and he was shown and furnished a copy of the said agreement.

x x x

It must be pointed out that plaintiff Florinda dela Cruz always consult her husband, Renato dela Cruz on all matters respecting their transactions (pp. 42-43, tsn, Sept. 13, 1996; p. 25, tsn, Aug. 15, 1997).

So that the claim of Florinda dela Cruz that she has never informed her husband involving a very substantial property registered in his name, for ten years that it had allegedly been in effect and that she has been regularly collecting defendants staggered installment payments for the