

## SECOND DIVISION

[ G.R. NO. 156447, April 26, 2005 ]

**JUAN AGAS AND RUSTICA AGAS, PETITIONERS, VS. CARIDAD SABICO, RESPONDENT.**

### DECISION

**CALLEJO, SR., J.:**

This is a petition for review on *certiorari* under Rule 45 of the Rules of Civil Procedure, as amended, of the Decision<sup>[1]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 25980, as well as its resolution denying the motion for reconsideration thereof. The CA affirmed *in toto* the Decision<sup>[2]</sup> of the Regional Trial Court (RTC) of Quezon City, Branch 85, in Civil Case No. Q-49506.<sup>[3]</sup>

Respondent Caridad Sabico and the spouses Ulpiano and Concordia Paulo (spouses Paulo) filed an application to acquire a parcel of land, Lot 24, Block 151, Psd-68807, before the now defunct People's Homesite and Housing Corporation (PHHC). The subject lot had an area of 400 square meters, located at East Avenue Subdivision, Quezon City, covered by Transfer Certificate of Title (TCT) No. 66994. The respondent had her house constructed on the property. She was widowed and worked as a laundrywoman of the petitioners, Juan Agas, a lawyer, and his wife Rustica Agas. The respondent considered Rustica's mother, Irene dela Peña, as her second mother. Petitioner Juan Agas was also one of the wedding sponsors of Thelma Sabico, one of the respondent's daughters, and the latter even borrowed P141.00 from petitioner Juan Agas on October 1, 1963.<sup>[4]</sup>

The PHHC granted the application of the respondent and that of the spouses Paulo, and awarded the lot to them. However, they were required to make a downpayment of P420.00 for the lot upon the execution of a conditional contract to sell, and the balance thereof payable in installments.

Since the respondent had no means to pay the required downpayment for the property, she went to the house of the petitioners at Gastambide, Sampaloc, Manila, to borrow the money. The respondent was with her daughter, Maria Luz. Petitioner Juan Agas agreed to lend P250.00 to Sabico, but required her to sign an unnotarized "Agreement/*Kasunduan*" in which she obliged herself to sell to the lawyer the undivided one-half portion of the subject property for P2,500.00, payable on such terms and conditions as they may agree upon, but not less than P50.00 a month. The following principal terms and conditions were, likewise, stated in the agreement: (a) petitioner Juan Agas would remit to the respondent the total amount of P250.00 upon the execution of the deed; (b) the respondent would return the amount she received from the petitioner to the PHHC, and in case she refused to consummate the agreement, she would be liable for the interest and liquidated damages; and (c) the respondent would continue to reside in the property for a period of ten years. The agreement also contained the following stipulation:

9. That once ownership becomes absolute in the first party to said lot, which shall be done at the earliest opportunity, said first party will, within the thirty-day from issuance of ownership papers to her, execute an absolute CONTRACT OF SALE IN FAVOR OF SECOND PARTY OR HIS LEGAL REPRESENTATIVES PAYMENTS WHATSOEVER EXCEPT EXPENSES FOR the issuance of the corresponding torrens title and its registration in the name of first party.<sup>[5]</sup>

The respondent had not finished first grade, could write only her name and did not know how to read nor understand the English language. Nevertheless, she signed the agreement.<sup>[6]</sup>

On May 14, 1964, the PHHC executed a Conditional Contract to Sell<sup>[7]</sup> in favor of the respondent and the spouses Paulo over Lot 24, Block 151, Psd-68807 for the price of P4,200.00. The transferees bound and obliged themselves, jointly and severally, to make a downpayment of P420.00 upon the execution of the contract, the balance of the purchase price payable within a period of 10 years, in 120 equal monthly installments of P41.97 at an annual interest of 6%. They also agreed not to sell, assign, encumber, mortgage, lease or sublease, the property without the written consent of the PHHC.

The respondent had been borrowing money from Agas from time to time, and her indebtedness had totalled to P5,000.00.<sup>[8]</sup> In August 1964, a Contract to Sell was executed by and between the respondent and the petitioners which was duly notarized by Notary Public Efren Barangan.<sup>[9]</sup> The contract, however, was merely a reiteration of the agreement previously entered, with a modification that the respondent bound herself to mortgage her undivided share of the property to the petitioners later as security of the payment of the amount remitted by Agas to the PHHC, as well as damages and interest:

g) That to secure or guarantee the payment of principal, interest and damages as mentioned in the two preceding paragraphs (e and f) VENDOR binds herself to MORTGAGE THE LOT described above or any reasonable real or personal property owned or may be owned by VENDOR at the selection or discretion of PURCHASER in favor of PURCHASER or her legal representatives without additional obligation of PURCHASER in the proper execution or accomplishment of required documents.<sup>[10]</sup>

After full payment of the purchase price of the property by Sabico and the spouses Paulo, the PHHC executed a Deed of Sale<sup>[11]</sup> dated August 5, 1975 over the property in their favor. On November 14, 1975, TCT No. 215624<sup>[12]</sup> was issued in the names of the respondent and the spouses Paulo as *pro indiviso* owners thereof.<sup>[13]</sup> At the dorsal portion of the title was an annotation prohibiting the registered owners from selling, leasing or encumbering the property within one year from the issuance of the said title.

Almost a month after the issuance of TCT No. 215624, the respondent delivered her owner's duplicate copy of the said title to petitioner Juan Agas. Notwithstanding this, the property was still declared for taxation purposes in the names of the respondent and the spouses Paulo from 1978 until 1986.<sup>[14]</sup>

Meanwhile, on October 3, 1978, the respondent executed an Absolute Deed of Sale of Real Property<sup>[15]</sup> in favor of petitioner Juan Agas over the south portion of the property, her one-half undivided share, with a total area of 200 square meters for the price of P20,000.00. The contract of sale was notarized by Atty. Evelyn Respicio. However, the deed was not filed with the Office of the Register of Deeds.

On June 12, 1979, petitioner Juan Agas notified the respondent of his desire to construct a two-unit residential apartment on the property and required the latter to pay a nominal monthly rental of P25.00 in exchange for her continued stay in the subject premises.<sup>[16]</sup> The petitioner claimed that a portion of the rental fee was to be applied to the payment of realty taxes since the tax declarations were still in the names of the respondent and the spouses Paulo.

Thereafter, in a Letter<sup>[17]</sup> dated January 8, 1980, petitioner Juan Agas informed the respondent of the construction of the apartment building, with a request that she move her house ("*barong-barong*") to the eastern rear portion of the property. The area of the lot given to the respondent was four meters in width and eight meters in length. She was told that she could use the said lot for the next 15 years subject to renewal upon mutual agreement. The petitioner asked the respondent to affix her signature on the said letter, but the latter refused to do so.<sup>[18]</sup> The respondent likewise refused to move her house as requested by the petitioner. The petitioner then executed an Affidavit of Adverse Claim over the property and had it annotated at the dorsal portion of TCT No. 215624.<sup>[19]</sup> The construction of a two-door apartment building on the property proceeded in 1981, and another four-unit apartment structure was built on the lot in 1985.

In the meantime, the respondent continued paying the realty taxes on the property. On October 9, 1986, the Deed of Absolute Sale executed by her on October 3, 1978 was filed with the Office of the Register of Deeds. TCT No. 215624 was cancelled, and TCT No. 350542<sup>[20]</sup> was thereafter issued in the names of the spouses Paulo and the petitioners as co-owners.

On December 4, 1986, the respondent instituted an action against the petitioners for Declaration of Nullity of Deeds and Title with Damages before the RTC of Quezon City, Branch 85. In her complaint, the respondent alleged that she was the true and lawful owner of the undivided one-half portion of the disputed property, and that practically all the installment payments for it were procured by way of loan from the petitioners. She also declared that she was the petitioners' laundrywoman and that she had known and trusted the petitioners for many years; however, by means of deceit, insidious machinations, cajolery and other fraudulent devices, they were able to inveigle her into signing several documents, which ostensibly caused the transfer of ownership of her share over the subject real property in their favor. She also alleged that the petitioners took advantage of her credulity and illiteracy, and employed undue moral pressure and influence on her.

In their answer with counterclaim,<sup>[21]</sup> the petitioners maintained that the respondent knowingly and voluntarily sold the questioned property for adequate and valuable consideration, and that they did not engage in fraud or undue influence. Moreover, the respondent was not as gullible as her counsel pictured her to be. In

fact, the terms of the deed of sale had been fully explained to her by the notary public before she affixed her signature thereto. Moreover, the loans that the respondent secured from them actually constituted part of the consideration for the sale of the subject property. They also averred that they had been in open, peaceful, and uninterrupted possession of the subject property in the concept of owners, and that the respondent's continued occupation of a small portion of the disputed property was merely by virtue of their "compassion, accommodation, and tolerance."

After trial on the merits, judgment was rendered in favor of the respondent. The dispositive portion of the decision reads:

WHEREFORE, premises considered, judgment is hereby rendered as follows:

1. Declaring the document denominated as Agreement (*Kasunduan*) dated January 17, 1964 (Exh. H); Contract to Sell (Exh. I) and the Deed of Absolute Sale dated October 3, 1978 (Exh. 5) void *ab initio* and of no legal force and effect;
2. Ordering the Register of Deeds of Quezon City to cancel TCT No. 350542 and issue a new Transfer Certificate of Title over the same property in the name of Caridad Sabico, widow, and Ulpiano Paulo, married to Concordia Paulo;
3. Ordering the plaintiff to pay defendants the sum of P5,000.00 with interest thereon at 12% per annum, computed from January 16, 1964 until fully paid; and
4. Ordering the defendants to pay plaintiff the sum of P10,000.00 as attorney's fees, plus costs.

SO ORDERED.<sup>[22]</sup>

The trial court ruled that the deed of absolute sale<sup>[23]</sup> executed by the respondent in favor of the petitioners did not reflect on its face the intention of the parties, and as such, there was no sale of the subject property. Moreover, the execution of the agreement, the conditional contract to sell and deed of absolute sale was patently illegal and void, because the lot in question could not possibly have been alienated by the respondent as it was still owned by the PHHC at the time of their execution. Her right over the subject lot, according to the trial court, could not be assigned nor transmitted inasmuch as it would violate the terms and conditions contained in the conditional contract to sell, and is furthermore contrary to public policy. The trial court opined that there was no showing that the respondent was fully appraised of the contents of the agreement and the contract to sell at the time of their execution. The trial court, likewise, sustained the testimony of the respondent that she had a very low educational attainment, unable to read, and that her understanding was that the transaction entered into by her was merely one of loan in the total amount of P5,000.00. Lastly, the trial court held that her delivery of the title to the petitioners only created an equitable mortgage thereon and was not a result of the sale of the subject land.

The petitioners appealed the decision to the CA. On September 13, 1999, the CA rendered judgment affirming *in toto* the appealed decision. The CA ruled that the

transaction between the respondent and the petitioners was only an equitable mortgage of the property as shown by the following: first, the respondent remained in possession of the property even after the execution of the deed of absolute sale on October 3, 1978; second, she continued to pay the taxes on the property sold up to the second quarter of 1986 as evidenced by the official receipts;<sup>[24]</sup> and third, the respondent obtained a series of loans from the petitioners.

On January 15, 2003, the petitioners filed with this Court the instant petition for review. They raise the following issues:

## I

WHETHER OR NOT THE RESTRICTION PROHIBITING THE VENDOR (RESPONDENT) FROM SELLING, ENCUMBERING, MORTGAGING OR LEASING THE QUESTIONED PROPERTY NO LONGER EXISTED.

## II

IF THE RESTRICTION NO LONGER EXISTED, AS IN FACT IT NO LONGER EXISTED, WHETHER OR NOT THE SALE OF THE SUBJECT PROPERTY TO THE PETITIONERS WAS VALID, SINCE THE TRANSACTION WAS ALLEGEDLY AN EQUITABLE MORTGAGE AND NOT A SALE.<sup>[25]</sup>

The threshold issue in this case is whether the transaction between the petitioners and the respondent over the undivided one-half portion of the subject property is an equitable mortgage or a sale thereof.

The issue raised by the petitioners pervade into the factual findings of the RTC and the appellate court.<sup>[26]</sup> It bears stressing that a review by *certiorari* under Rule 45 of the Revised Rules of Court is a matter of discretion.<sup>[27]</sup> The jurisdiction of the Supreme Court is limited to reviewing only errors of law, not of fact. When supported by substantial evidence, findings of fact of the trial court as affirmed by the CA are conclusive and binding on the parties, and are not reviewable by this Court unless the presence of any exceptional circumstances is established.<sup>[28]</sup> The petitioners failed to establish any of the exceptional circumstances which would warrant such review.

The petitioners aver that the CA erred in declaring the deed of absolute sale null and void on the ground that the PHHC did not consent thereto. They insist that the one-year period prohibiting the sale of the property was to be reckoned from November 14, 1975, when TCT No. 350542 was issued in their names. The bare fact that the respondent was unable to read and did not know the English language will not even render the deed of absolute sale voidable because the respondent did not complain that the deeds executed by her in their favor were written in English. Moreover, the petitioners assert that the respondent is estopped from assailing the sale, considering that she kept silent when they had their building constructed on the property. Additionally, the respondent told the notary public that she had executed the deed of absolute sale voluntarily and knew its contents.

The petitioners also assert that, contrary to the ruling of the trial court and the CA, the deed of absolute sale is precisely what it is, a sale and not an equitable