

SECOND DIVISION

[G.R. NO. 141311, May 26, 2005]

BERNICE LEGASPI, PETITIONER, VS. SPOUSES RITA AND FRANCISCO ONG, RESPONDENTS.

D E C I S I O N

AUSTRIA-MARTINEZ, J.:

Before us is a petition for review on *certiorari* filed by petitioner Bernice Legaspi seeking to annul and set aside the Decision dated July 30, 1998 of the Court of Appeals (CA)^[1] reversing the decision of the trial court and ruling that the deed of sale with right to repurchase executed by respondent spouses in favor of petitioner over the subject property was an equitable mortgage; and its Resolution dated January 4, 2000^[2] denying petitioner's motion for reconsideration.

Respondent spouses Francisco and Rita Ong were owners of a parcel of land located at 375 Matienza Street, San Miguel, Manila with an area of 1,010 square meters and a two-storey house. They mortgaged the subject property with the Permanent Savings and Loan Bank (PSLB) to secure their loan. For their failure to pay their loan, PSLB foreclosed the mortgage on the subject property and thereafter sold it in a public auction where the bank emerged as the highest bidder. Respondent spouses failed to redeem the property within the redemption period, thus, the title was consolidated in the name of PSLB under Transfer Certificate of Title (TCT) No. 182956 on November 10, 1988^[3] but respondent spouses continued to occupy the premises. When PSLB was subsequently ordered liquidated by the Monetary Board of the Central Bank, PSLB's acquired assets were required to be disposed of to pay its debts, thus respondent spouses, being the original owners of the subject property, were given first priority by the Central Bank Liquidator to buy back their property in the amount of P2,655,000.00 on or before June 13, 1989. Since respondent spouses had no money then, they approached petitioner's father, Stephen Hong, a classmate and friend of respondent Francisco, and sought his help to pay and redeem the subject property. Petitioner and her father were shown the title of the subject property in respondent Rita's name. After some deliberations thereon, the parties' agreement was reduced into writing denominated as a Deed of Sale with Right to Repurchase^[4] drafted by petitioner's counsel, Atty. Bienvenido Rillo, in the following terms and conditions:

. . .

The title to above-described property is presently held by the Central Bank of the Philippines and the latter has given VENDOR the privilege of getting back the title to the above-described property by paying them the amount of TWO MILLION SIX HUNDRED FIFTY FIVE THOUSAND (P2,655,000.00) PESOS;

VENDOR has offered to sell this property to VENDEE on condition she be allowed to repurchase this property subject to the terms and conditions hereinafter recited:

1. VENDEE shall pay the Central Bank of the Philippines the amount of TWO MILLION SIX HUNDRED FIFTY FIVE THOUSAND (P2,655,000.00) PESOS for and in behalf of VENDOR;
2. VENDOR shall have the right to repurchase the above-described property within a period of four (4) months, without interest, which shall be extended by another month upon request of the VENDOR;
3. During the four (4) month period or its extension VENDOR shall have the right to re-sell the said property to any party, other than the VENDEE, who may desire to purchase the property;
4. In the event VENDOR should fail to repurchase the property within the four (4) months agreed upon then VENDEE, notwithstanding the extended period, shall pay interest at the rate of four (4%) percent per month reckoned from the execution of this document;
5. In the event VENDOR shall repurchase the property at any time before the expiration of four (4) months or its extended period the VENDOR shall pay interest on the amount at the rate of four (4%) percent per month reckoned from the signing of this Agreement;
6. Should VENDOR fail to comply with the foregoing terms and conditions then the property shall by virtue thereof become the property of VENDEE;
7. All expenses to be incurred as a result of this transaction such as documentary stamps, transfer fee, capital gains tax and documentation fees, shall be for the account of VENDOR;

NOW, THEREFORE, for and in consideration of the foregoing, VENDOR hereby sells, cedes, transfers and conveys unto the VENDEE the above-described parcel of land together with all the improvement thereon fall (sic) from any lien and encumbrances. VENDOR hereby warrants the property is not devoted to the cultivation of palay or corn nor is it covered by the priority development program of the government.^[5]

which respondent spouses and petitioner signed on June 13, 1989. Immediately after the deed was signed, and since it was the last day to redeem the property, petitioner, with her lawyer, Atty. Rillo, and respondent Francisco went to the Central Bank and with petitioner's check paid the amount of P2,655,000.00 to the bank for and in behalf of respondents. A Deed of Absolute Sale^[6] was executed between PSLB's Liquidator, Renan V. Santos, and respondent spouses, as original owners, over the subject property on June 13, 1989. Respondent Francisco then wrote^[7] the Deputy Liquidator of PSLB, Central Bank, to release the Deed of Sale and the title to the subject property to petitioner as his authorized representative. Petitioner received the documents on June 19, 1989.^[8]

On September 26, 1989, petitioner wrote respondents a letter^[9] reminding them that the four-month period to repurchase the subject property will expire on October 12, 1989 and that failure to pay the amount of P2,655,000.00 on its due date will force her to take the corresponding action to consolidate title on the property in her name. On November 23, 1989, petitioner's counsel wrote respondents a letter^[10] informing them that petitioner, acting on their request for extension of a week's time to repurchase the subject property, consented to give them up to November 28, 1989. However, respondent spouses failed to redeem the subject property from petitioner within the period given them. Despite the expiration of the period to repurchase, petitioner still granted respondent spouses opportunity to repurchase the subject property in a letter dated April 14, 1990, where petitioner's counsel demanded for the payment of the amount of P2,655,000.00 plus all the interest due thereon within five days from receipt otherwise, necessary legal action will be taken to transfer ownership in petitioner's name.^[11]

In October 1990, petitioner filed a petition for consolidation of ownership^[12] before the Regional Trial Court (RTC) of Manila, which was raffled to Branch 39,^[13] docketed as Civil Case No. 90-54623. Petitioner prayed for the cancellation of TCT No. 182956 and for the issuance of a new title in her name, attorney's fees and cost of suit.

In their answer with compulsory counterclaim,^[14] respondent spouses alleged that the Deed of Sale with Right to Repurchase did not reflect the true intention of the parties because the document was actually an equitable mortgage with illegal provision, i.e., pactum commissorium; that petitioner has no cause of action against respondents; that there was non-joinder of the real party-in-interest; that the Court has no jurisdiction over the case; that relief sought will cause undue enrichment on respondents as the subject property claimed was worth P15 million.^[15] They prayed for the dismissal of the petition and asked for damages, attorney's fees and costs of the suit as counterclaim.

On July 6, 1993, the RTC rendered its decision^[16] in favor of petitioner, the dispositive portion of which reads:

WHEREFORE, in view of the foregoing, judgment is hereby rendered ordering the consolidation of title in the name of petitioner Bernice Legaspi and the Register of Deeds of the City of Manila is hereby ordered to cancel Transfer Certificate of Title No. 182956, issued in the name of Permanent Savings and Loan Bank, and in lieu thereof, a new one be issued in the name of petitioner BERNICE LEGASPI upon payment of the corresponding charges. Respondents are hereby ordered to pay attorney's fees in the sum of P25,000.00.

Respondents' counterclaim is hereby DISMISSED for lack of merit. With costs against respondents.^[17]

In arriving at its decision, the trial court made the following disquisition:

The main controversy centers on the true nature of Exhibit "C", the Deed of Absolute Sale with Right to Repurchase. The Court examines Exhibit "C", and finds it clear, unambiguous and unequivocal. If the terms of the

contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of the stipulation shall control (Art. 1370 CC). The intention of the parties is to be deduced from the language employed by them and the terms of the contract found unambiguous, are conclusive in the absence of averment and proof of mistake, the question being not what intention existed in the minds of the parties but what intention is expressed by the language used. When the words of a contract are plain and readily understandable, there is no room for construction (*Dihiasan, et al. vs. CA*, G.R. 49839, Sept. 14, 1987).

According to Rita Ong who admitted having signed the document she trusted Mr. Hong as her husband's former classmate. There is a presumption in law that a person takes ordinary care of his concern (Rule 131, Sec. 5(d), Revised Rules of Evidence). It is to be presumed that Rita Ong a pharmacy and medical technology graduate would not sign a document without being satisfied of the contents thereof. She knew fully well what she was signing. Rita Ong admitted on the stand that the matter was discussed in the residence of the petitioner in the presence of her husband and Mr. Hong. She was completely aware, therefore, that she was executing a document, a Deed of Sale with Right to Repurchase. If she did not like its contents, she could easily refrain from signing the document. After signing the document, she cannot now be heard to complain that the parties to said exhibit intended the same to be loan with mortgage contrary to what are clearly expressed therein. The natural presumption is that one does not sign a document without first informing himself of its contents. It is the duty of every contracting party to learn and know the contents of a contract before he signs and delivers it. He owes this duty to the other party to the contract because the latter may probably pay his money and shape his action in reliance upon the agreement. To permit a party when sued on a written contract to admit that he signed it but to deny that it expresses the agreement he made or to allow him to admit that he signed it but did not read it or know its stipulation could absolutely destroy the value of all contracts. (*Tan Tun Sia vs. Yu Bin Sentua*, 56 Phil. 711).

The Court rejects respondents' Exhibits "11", "11-A" and "12" to show the inadequacy of the price considering that evaluation of P4,500.00 per square meter and the appraisal of P15M were not made on or before June 13, 1989, the date the contract was executed by the parties. The evidence shows that the lot in question is titled in the name of Permanent Savings and Loan Bank for P2,655,000.00 and was paid by the petitioner in such amount. Said amount is approximately 50% of their total assessed value of P1,016,580.00 (Exhibit "D") as appearing in the tax declaration. A difference in value is not always a decisive factor for determining whether or not the contract is one of sale with right to repurchase or equitable mortgage.

After the sale on June 13, 1989, Spouses Ong did not pay the real estate taxes on the land.

The records show that after the expiration of respondents' right to

repurchase the lot, demands were made but were completely ignored, hence, the filing of this case and the unlawful detainer with the Metropolitan Trial Court (Exhibit "E").

Assessing the evidence on record, the Court declares that the contract entered into by the petitioner and respondents Spouses Ong is one of a sale with right to repurchase, as supported by the evidence on record. Respondents Ongs had already parted with their property when the mortgage was foreclosed by Permanent Savings and Loan Bank for P2,655,000.00 which was the price of the lot and, therefore, having discussed the transaction with the petitioner prior to the preparation of the contract, respondents cannot now repudiate what they have done. Since petitioner was forced to litigate to enforce her right under the contract, respondent spouses Ong should pay reasonable attorney's fees.

[18]

Respondent spouses' motion for reconsideration was denied in an Order dated November 25, 1993.[19]

At the time that the proceedings for the petition for consolidation of ownership were on-going, petitioner, on February 14, 1991, claiming her right to possess the subject property on the basis of respondents' failure to repurchase the subject property had filed an unlawful detainer case against respondents[20] before the Metropolitan Trial Court (MeTC), Branch 19, Manila, docketed as Civil Case No. 134770-CV. The MeTC decided against respondent spouses on September 1, 1993[21] whereby respondent spouses were ordered to vacate the subject property and surrender possession thereof to petitioner; to pay P25,000.00 a month from February 13, 1991 as reasonable compensation for the use and occupancy of the subject property until possession is surrendered to petitioner; and attorney's fees plus cost of the suit. The MeTC granted the motion for execution filed by petitioner and issued a writ of execution on October 8, 1993.[22] Possession of the subject property was delivered by the sheriff to petitioner's father on October 11, 1993.[23] Respondent spouses' appeal with the RTC was dismissed in an Order dated March 9, 1994[24] for being moot and academic as the respondents had already abandoned the property and possession thereof was turned over to petitioner and ordered that the records be remanded to the court *a quo* for execution of its own judgment.

As respondents were aggrieved by the decision of the RTC granting the consolidation of title in petitioner's name, respondent spouses appealed to the CA. During the pendency of respondents' appeal, petitioner filed a motion for execution pending appeal of the RTC's decision dated July 6, 1993. The appellate court granted the motion for execution pending appeal in a Resolution[25] dated December 1, 1994, subject to the posting of a bond in the amount of P50,000.00. It anchored its judgment on the following findings:[26] (1) the property had been adjudged by the trial court to be owned by petitioner who paid the purchase price to the bank; (2) the ejectment case filed by petitioner against respondents was decided by the MeTC in favor of the former by ordering respondents to vacate the property, to pay P25,000.00 a month from February 13, 1991, as compensation for the use of the property and to surrender possession, in addition to attorney's fees; (3) possession of the property was already delivered to petitioner and that respondents had already