

THIRD DIVISION

[G.R. No. 147012, January 29, 2004]

**CRISTINO O. ARROYO, JR. AND SANDRA R. ARROYO,
PETITIONERS, VS. EDUARDO A. TADURAN, RESPONDENT.**

DECISION

CORONA, J.:

Before us is a petition for review of the decision^[1] dated January 30, 2001 of the Court of Appeals, affirming the decision^[2] dated March 30, 1998 of the Regional Trial Court, Branch 138, Makati City, in Civil Case No. 92-2822, for specific performance, reconveyance and damages.

The trial court dismissed the complaint for reconveyance of title filed by respondent herein but nevertheless ordered petitioners to indemnify him in the amount of P500,000 with legal interest computed from October 23, 1989 until full payment is made.

The facts follow.

Respondent Eduardo Taduran and petitioner Cristino Arroyo, Jr. were cousins. In 1988, respondent and petitioner Cristino Arroyo, Jr. entered into a verbal agreement to form a corporation and to acquire a suitable office for this purpose. Pursuant to the agreement, petitioner Cristino Arroyo, Jr. purchased from Cityland Development Corporation a condominium unit for P348,718.30. The amount money used to purchase the condominium unit was borrowed by petitioner Cristino Arroyo, Jr. from the Commercial Bank of Manila (now Bank of Commerce) and was guaranteed by the time deposit of respondent Taduran with in the same bank. When the loan matured, the proceeds of the time deposit amounting to P500,000 was applied by respondent Taduran in as payment of the loan. Title to the condominium unit in the name of petitioner Cristino Arroyo, Jr., married to Sandra Arroyo (his co-petitioner in the present case), was subsequently released by Cityland to said spouses.

Petitioners, however, failed to pay certain obligations to Cityland Development Corporation which resulted in the extrajudicial foreclosure of the subject condominium unit. The property was eventually redeemed by them (petitioners Arroyo).

Meanwhile Taduran discovered that petitioners had been enjoying the use of the subject property. Thus, he demanded from them the delivery of the title and other documents, and transfer of title in to his name pursuant to their verbal agreement. When petitioners Arroyo refused, Taduran filed a complaint in the Makati RTC, praying that petitioners be ordered compelled to deliver and reconvey the title to the subject property to him and that they be adjudged liable for actual, moral and exemplary damages in the amount of P500,000 plus the costs of suit and

attorney's fees. Respondent claimed that petitioner Cristino Arroyo, Jr. was his a mere agent tasked to look for a condominium unit to purchase.

Petitioners Arroyo denied the existence of agency between respondent Taduran and petitioner Cristino Arroyo, Jr. and claimed ownership over the subject property. On March 30, 1998, the trial court rendered a decision:

The Court does not find the evidence presented by plaintiff sufficient to establish agency. As a contractual relationship agency should be proven by clear, convincing and highly credible evidence. In the present case, the testimony of the plaintiff is wanting with respect to the material details of the extent and authority of the agent. As a matter of fact, during his testimony on direct examination, plaintiff did not even mention anything about the claimed agency agreement. A circumstance which will aid the Court in determining the ownership of the condominium unit could be the source of the P500,000.00 but from Exhibit "A" of the plaintiff, it appears that the loan was that of defendant Arroyo, though it was secured by the time deposit of the plaintiff. The situation therefore is – a loan was secured by defendant Arroyo from Commercial Bank of Manila, secured by the time deposit of plaintiff. The proceeds of the loan was used to pay for the price of the condominium unit. Title was not then transferred to defendant Arroyo. The loan was not paid and at the instruction of plaintiff, Commercial Bank of Manila applied his time deposit in full payment of the loan.

From the foregoing, and absent any convincing evidence of agency or trust, reconveyance cannot be ordered because plaintiff failed to establish title over the condominium unit. Title is with defendant Arroyo because he obtained the loan. The source of payment is immaterial, though it gives plaintiff right to indemnification. This fact defendant Arroyo admits.

The Court finds the evidence of the plaintiff insufficient to establish his cause of action and entitlement to the relief prayed for. On the other hand, the Court finds him entitled to indemnification from defendant Arroyo because his time deposit was applied to the loan obligation of the defendant Arroyo.^[3]

Petitioners appealed to the Court of Appeals the arguing that the trial court decision appeared to be a "contradiction in terms," that is, despite the finding that there was no agency and that reconveyance could not be ordered due to the failure of respondent to establish its his title to the property, it, nonetheless, ordered indemnification in the amount of P500,000. The Court of Appeals disagreed with petitioners and affirmed the trial court decision:

Nevertheless, the appellants have admitted the fact that there is an obligation on their part to pay for the time deposit proceeds of appellee which was applied to the payment of the bank loan earlier obtained by appellant Cristino Arroyo, Jr. in his name. On cross-examination, appellant Cristino Arroyo, Jr. was asked why despite having received the proceeds of the sale of the condominium unit in favor of Josie G. Lim in the sum of P800,000.00, he did not even return or give the appellee an