

SECOND DIVISION

[G.R. No. 146222, January 15, 2004]

**ERLINDA DELA CRUZ, PRISCILLA DE MESA, ZENAIDA LAMBERTO,
FLORA DRISKELL AND ANGELITO DELA CRUZ, PETITIONERS, VS.
FORTUNATO DELA CRUZ, DIVINA GUTIERREZ AND CLARK
GUTIERREZ, RESPONDENTS.**

DECISION

QUISUMBING, J.:

This petition seeks to annul and set aside the decision^[1] of the Court of Appeals, promulgated on September 14, 2000, in CA-G.R. CV No. 53679, affirming the decision^[2] of the Regional Trial Court (RTC) of Malolos, Bulacan, Branch 17, dated December 14, 1995, in Civil Case No. 37-M-89. The trial court dismissed the complaint in Civil Case No. 37-M-89 and held that herein respondents Clark and Divina Gutierrez are the lawful owners of the property in dispute. Petitioners also seek to annul the appellate court's resolution,^[3] dated November 28, 2000, denying their motion for reconsideration.

As culled from the records, the following are the facts of the case:

Paciencia dela Cruz, the original plaintiff in Civil Case No. 37-M-89, was the owner of a parcel of land with an area of two (2) *ares*^[4] and ninety (90) *centares*,^[5] located at Lolomboy, Bocaue, Bulacan. Said parcel was registered in her name under Transfer Certificate of Title (TCT) No. T-14.585 (M). A flea market (*talipapa*) with fifty or so vendors was located on the property and Paciencia collected from them their daily stall rentals. Paciencia had six (6) children, namely Priscilla, Erlinda, Fortunato, Flora, Angelita and Zenaída, all surnamed dela Cruz.

On September 25, 1980, Paciencia allegedly executed a Deed of Sale whereby for and in consideration of P21,000, she conveyed said parcel in favor of her son, Fortunato dela Cruz.^[6] On November 26, 1980, the Register of Deeds of Bulacan issued TCT No. T-34.723 (M) in Fortunato's name.^[7] Fortunato declared the property for taxation purposes and paid realty taxes due thereon.^[8] Sometime between August 1985 to September 1988, Fortunato mortgaged the property three (3) times to one Erlinda de Guzman for the sums of P25,000, P50,000 and P100,000.^[9] Fortunato was unable to pay these loans.

On January 11, 1989, Fortunato executed a "*Kasulatan ng Bilihang Patuluyan*"^[10] in favor of Clark and Divina Gutierrez, the children of Claudio and Adoracion Gutierrez, to whom he earlier offered to sell the property. The *Kasulatan* alleged the purchase price to be P58,000 only but the amount actually paid by the Gutierrezes to Fortunato was P600,000 as evidenced by a receipt showing the true consideration

for the sale.^[11] That same day, the sale was registered, leading to the cancellation of TCT No. T-34.723 (M) in the name of Fortunato. Seven days later, a new certificate of title, TCT No. T-101011 (M) was issued in the name of Clark and Divina Gutierrez. Thereafter, the Gutierrezes took possession of the property, had the *talipapa* repaired, and collected the daily stall rentals from the vendors.

On January 20, 1989, Paciencia instituted an action for reconveyance of property with preliminary injunction against Fortunato and the spouses Claudio and Adoracion Gutierrez, before the RTC of Malolos, Bulacan, which docketed the complaint as Civil Case No. 37-M-89.

On February 8, 1989, the Complaint was amended to implead Clark and Divina Gutierrez, the children of spouses Claudio and Adoracion Gutierrez, as defendants who had the subject property titled in their names.

In her Complaint, Paciencia alleged that sometime in 1980, her son Fortunato, took advantage of his close ties with her to induce her to sign an instrument which appeared to be a Deed of Sale. Paciencia alleged that Fortunato assured her that she would remain the owner thereof while Fortunato would hold the property in trust for her and upon her death, all her children would share in the property. Fortunato allegedly did not pay her any consideration for such sale. She also claimed that she continued to collect the daily stall rentals from the *talipapa* tenants until sometime in 1986 when she fell ill and had to be hospitalized. As a result, Fortunato took over the collection of the rentals. After Paciencia had recovered, she sought to resume collecting the daily rentals but upon the plea of Fortunato who had no means of income at that time, Paciencia allowed him to continue collecting the stall rentals. Fortunato, however, was remiss in remitting the daily collections to Paciencia.

Sometime in December 1988, Paciencia was shocked to learn that Fortunato was offering the property for sale. She then demanded that the property be reconveyed to her but Fortunato refused to do so. Meanwhile upon learning that Fortunato was negotiating the sale of the land with the Gutierrez spouses, Paciencia sent her daughter, Erlinda dela Cruz, to warn them that Paciencia owned the property, and not Fortunato. However, the Gutierrez couple insisted on buying the property and registered the same in favor of their children, Divina and Clark Gutierrez. Consequently, the Gutierrezes took over the collection of stall rentals from the tenants of the subject property.

In sum, Paciencia alleged that the sale of the property to the Gutierrezes was null and void and fraudulently made as Fortunato had neither right nor authority from her to sell or convey the subject property, as he only held it in trust for her.

In his Answer, Fortunato averred that he lawfully acquired the subject property from Paciencia, who absolutely conveyed the same to him, delivered to him the owner's duplicate of the title, and upon her instructions, caused the registration of the property in his name.

For their part, Clark and Divina Gutierrez alleged that: (1) the subject property was titled in the name of Fortunato dela Cruz; (2) Fortunato was also the one collecting the daily rentals from the market vendors; (3) Fortunato feared he would lose the property due to his inability to pay his mortgage indebtedness to Erlinda de Guzman; and (4) he pleaded with them to help him, as a result of which they turned

to their parents who withdrew their lifetime savings just to be able to buy the property. Clark and Divina likewise alleged that Fortunato disclosed to them that Paciencia herself did not like this instant suit as she had already given to all her children her properties through similar transfers.

On December 14, 1995, the trial court decided Civil Case No. 37-M-89 in this wise:

WHEREFORE, premises considered, judgment is hereby rendered:

- 1) dismissing the case and declaring defendants Clark and Divina Gutierrez as the lawful owners of the property now covered by TCT No. T-101011(M);
- 2) ordering the plaintiff to pay defendant Fortunato dela Cruz litigation expenses of P2,000.00 and to pay the costs of the suit;
- 3) dismissing the counterclaim of defendants Gutierrezes for moral damages and attorney's fees.

SO ORDERED.^[12]

Paciencia then moved for reconsideration, but the trial court denied the motion. She then interposed an appeal with the Court of Appeals, docketed as CA-G.R. CV No. 53679.

On January 22, 1997, Paciencia dela Cruz died and was substituted by her children, namely: petitioners Erlinda dela Cruz, Priscilla de Mesa y dela Cruz, Zenaida Lamberto y dela Cruz, Flora Driskell y dela Cruz and Angelita dela Cruz.

On September 14, 2000, the Court of Appeals affirmed the trial court's decision, thus:

WHEREFORE, premises considered, the appealed decision in Civil Case No. 37-M-89 is hereby AFFIRMED. No costs.

SO ORDERED.^[13]

Herein petitioners then moved for reconsideration, but it was denied by the appellate court.

Hence, this instant petition grounded on the following issues:

1. WHETHER OR NOT THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE DECEASED PACIENCIA DELA CRUZ VOLUNTARILY EXECUTED THE DEED OF ABSOLUTE SALE IN FAVOR OF RESPONDENT DELA CRUZ.
2. WHETHER OR NOT THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE RESPONDENTS GUTIERREZES ARE BUYERS IN GOOD FAITH.
3. WHETHER OR NOT THE EVIDENCE ON RECORD SUPPORTS THE DECISION OF THE HONORABLE COURT OF APPEALS SUBJECT

MATTER OF THE INSTANT PETITION FOR REVIEW.^[14]

Simply put, we find that the core issue in this case is whether the Deed of Absolute Sale executed by the mother, Paciencia dela Cruz, in favor of her son – respondent Fortunato dela Cruz – is simulated and must be declared void.

Petitioners contend that the Court of Appeals erred in holding that Paciencia dela Cruz, now deceased, had voluntarily executed the Deed of Absolute Sale in favor of her son, Fortunato. They fault the court *a quo* for failing to appreciate the fact that the Deed was entirely and completely written in English, a language neither known nor understood by his mother, Paciencia. Hence, the appellate court went against the dictates of Articles 1330 and 1332 of the Civil Code.^[15] Petitioners stress that there is no showing that the terms of the Deed had been fully explained to Paciencia who allegedly executed the document.

Petitioners also contend that respondents Clark and Divina Gutierrez are not buyers in good faith. A buyer in good faith is one who buys a thing for value and is not aware of any defect in the title of the seller. Their father, Claudio Gutierrez, was the actual buyer of the subject property, and was aware of the defect in the title of Fortunato. Hence, Claudio could not be a buyer in good faith. Neither could his children — respondents Clark and Divina Gutierrez — qualify and be deemed as buyers in good faith, since the said property was actually bought by their father, who then caused the registration of the property in their names.

Respondents, for their part, maintain that the Court of Appeals did not err in affirming the trial court's ruling that Paciencia dela Cruz voluntarily executed the Deed of Sale in Fortunato's favor. They aver there was nothing amiss in said Deed. The Gutierrezes were innocent purchasers in good faith entitled to the full protection of the law. In order that the purchaser of land with a Torrens title may be considered in good faith, according to respondents, it is enough that he examined the latest certificate of title, which was issued in the name of the immediate transferor. This the Gutierrezes did. Moreover, they had reason to believe that respondent Fortunato dela Cruz's title was free from flaws and defects upon learning that the latter was the one collecting the daily stall rentals from the tenants and the fact that respondent Fortunato had mortgaged the said property three (3) times and was then selling the property to pay off his loans.

We find for respondents. Petitioners' arguments are less than persuasive, to say the least. As a rule, when the terms of a contract are clear and unambiguous as to the intention of the contracting parties, the literal meaning of its stipulations shall control. It is only when the words appear to contravene the evident intention of the parties that the latter shall prevail over the former. The real nature of a contract may be determined from the express terms of the agreement and from the contemporaneous and subsequent acts of the parties thereto.^[16] When they have no intention to be bound at all, the purported contract is absolutely simulated and void. Hence, the parties may recover what they gave under the simulated contract. If, on the other hand, the parties state a false cause in the contract to conceal their real agreement, the contract is relatively simulated and the parties' real agreement may be held binding between them.^[17]

In the present case, it is not disputed that Paciencia dela Cruz executed a Deed of