

FIRST DIVISION

[G.R. No. 156522, May 28, 2004]

ERLINDA SAN PEDRO, PETITIONER, VS. RUBEN LEE AND LILIAN SISON, RESPONDENTS.

DECISION

YNARES-SATIAGO, J.:

In this petition for review, we are tasked with determining whether a document denominated as a "*Kasulatan ng Ganap na Bilihan ng Lupa*" is a deed of absolute sale – as it appears to be on the surface – or merely an equitable mortgage.

Petitioner Erlinda San Pedro initiated this suit against the spouses Ruben^[1] Lee and Lilian Sison on November 23, 1994, praying for: (1) a declaration that the document entitled "*Kasulatan ng Ganap na Bilihan ng Lupa*" is an equitable mortgage and not a sale; (2) the reconveyance of the property subject of the "*Kasulatan ng Ganap na Bilihan ng Lupa*"; and (3) damages.

The "*Kasulatan ng Ganap na Bilihan ng Lupa*", which the parties executed on May 23, 1985 provides as follows:

NA AKONG SI, ERLINDA SAN PEDRO, may sapat na gulang, Pilipino, balo at naninirahan sa 374 Herbosa Street, Tondo, Manila, sa bisa ng kasulatang ito ay nagpapatunay –

Na ako ang tunay at ganap na may-ari at namumusesyon sa isang (1) lagay ng lupa na nakatala sa aking pangalan sa ilalim ng Transfer Certificate of Title No. T-290387 ng Pataalan ng Kasulatan ng Lalawigang Bulakan, na lalong makikilala sa mga sumusunod na palatandaan:

[Technical description follows.]

Na dahil at alang-alang sa halagang ISANG DAAN AT LIMAMPUNG LIBONG PISO (P150,000.00), Salaping Pilipino, na ngayong araw na ito ay ibinayad sa akin at tinanggap ko naman ng buong kasiyahang-loob bilang husto at ganap na kabayaran ni RUBIN T. LEE, may sapat na gulang, Pilipino, kasal kay Lilian Sison at naninirahan sa 230 MacArthur Highway, Karuhatan, Valenzuela, Metro Manila, aking IPINAGBIBILI, ISINASALIN at INILILIPAT ng ganap at patuluyan at walang anumang pasusubali o pananagutan, ang lahat at boo [sic] kong karapatan at pagmamay-ari at pamumusesyon sa nabanggit na lagay ng lupa at mga kaunlaran o mejoras na dito ay makikita o nakatirik o matatagpuan sa nasabing RUBIN T. LEE at sa kanyang mga tagapamana o kahalili.^[2]

The document bears two signatures above the typewritten words "ERLINDA SAN PEDRO, Nagbibili". It contains the signatures of two witnesses, one of whom was Philip dela Torre, and was notarized by a certain Venustiano S. Roxas.^[3]

San Pedro's version of events paints a portrait of an unscrupulous couple, usuriously taking advantage of her financial straits to enrich themselves. Petitioner claims that she desperately needed money to support her children's college education,^[4] and approached one Philip dela Torre, who introduced her to respondent Ruben Lee.^[5] From Lee and his wife Lilian Sison, San Pedro was able to secure a loan in the amount of P105,000.00, with interest of P45,000.00, or a total indebtedness of P150,000.00.^[6] As security for this loan, she agreed to mortgage a 17,235-square meter parcel of agricultural land located at San Juan, Balagtas, Bulacan, covered by Transfer Certificate of Title (TCT) No. T-290387.^[7] This transaction took place in the office of Atty. Venustiano Roxas, where she met Lee for the first time.^[8]

San Pedro claims that Atty. Roxas and Lee coerced her to sign the "*Kasulatan ng Ganap na Bilihan ng Lupa*" and that the document was executed merely as written evidence of the loan and mortgage. She alleges that Atty. Venustiano Roxas and Ruben Lee told her that the document was just a formality,^[9] with the assurance from Atty. Roxas and Lee that respondents would never enforce the contract against her.^[10] She readily agreed because she believed in good faith that the spouses were "*tunay na tao*".^[11] She further claims that she continued in possession of the parcel of land through her tenant, Federico Santos, and continued to receive her landowner's share of the harvest from 1985 until 1995.^[12]

In 1986,^[13] petitioner attempted to pay the real property tax on the subject agricultural land.^[14] To her surprise, she learned that the property had already been transferred to the names of respondents.^[15] She also learned that TCT No. T-290387 had been cancelled and TCT No. RT-41717 (T-305595) had been issued in the name of Ruben Lee.^[16]

After saving enough money to pay her indebtedness, San Pedro attempted to redeem her mortgage. She approached Ruben Lee's brother, Carlito, offering to pay her debt, but she was continually rebuffed.^[17] Nine years after the contract was executed, she initiated this suit to recover title to the subject property.

Respondents, on the other hand, present an entirely different version of events. They claim that the sale of the property in question was brokered by their mutual acquaintance and broker, Philip dela Torre.^[18] Spouses Lee and Sison are engaged in the real estate business, and believed that San Pedro's agricultural property would be a good investment. It was disclosed to them that the property had no existing right of way, that it was not tenanted,^[19] and that it was low-lying real estate which was prone to flooding during the rainy season.^[20] They thus negotiated for the purchase of the property, which had an initial asking price of

P200,000.00,^[21] and offered to pay P150,000.00 therefor. San Pedro accepted their offer and agreed to sell the land.^[22]

Respondents requested that petitioner execute an affidavit of non-tenancy^[23] and a written power of attorney authorizing respondents to pay the capital gains taxes and expenses on the registration of the property in their name.^[24]

During the trial, petitioner presented four witnesses. The first, Federico Santos, a 61-year-old farmer, testified that he was San Pedro's tenant and had been tilling her land since 1975,^[25] which his parents had been tilling before him.^[26] He further claimed that this tenancy relation was uninterrupted until the time of his testimony in 1995, and that he paid San Pedro her owner's share of the harvest every year.^[27] Introduced in evidence were a tenancy agreement between Santos and San Pedro's mother,^[28] and trust receipts dated from 1981 to 1991, all showing payment to San Pedro of 18 cavans of palay.^[29]

Petitioner's second witness, Adela Ortega, claimed to be an experienced broker, engaged in the real estate business since after the Second World War.^[30] She testified that the parcel of land which was the subject of the contract in question was grossly undervalued, since she sold similarly located parcels of land in 1985 for around P60.00 per square meter.^[31] She also claimed that, in 1995, she sold a piece of agricultural land adjacent to the subject property for P350.00 per square meter.^[32]

Juanito Angeles, the third witness for the petitioner, was a Supervising Revenue Examiner in Revenue District 25.^[33] He produced Department Order No. 83-94, effective September 25, 1994, which contains zonal valuations of several municipalities in Bulacan.^[34] Based on these zonal valuations, he testified that the price of agricultural lots located in Barangay San Juan, Balagtas, Bulacan ranges from P60.00 per square meter (for lots along the barangay road)^[35] to P20.00 per square meter (for interior lots).^[36] He also stated that prior to the effectivity of Department Order No. 83-94, the capital gains tax was determined from the consideration or the zonal valuation, whichever was higher.^[37]

For their part, respondents presented Carlito Lee, Jose Samaniego, Atty. Amando Tetangco, Philip dela Torre, and Atty. Venustiano Roxas, in addition to respondent Ruben Lee.

Carlito Lee, Ruben's brother, testified that Philip dela Torre introduced him and Ruben to Erlinda San Pedro, who wanted to sell her property.^[38] The sale price was originally P200,000.00, which was reduced to P150,000.00 because the agricultural lot in question had no existing right of way and was frequently flooded during the rainy season.^[39] Carlito also testified that although the contract of sale was entered into between San Pedro and Ruben Lee, the money for the purchase of the property

came from Cenica Hardware, a corporation of which he is a part owner.^[40]

Carlito alleged that he and Ruben met with San Pedro on several occasions, in order to negotiate the purchase price and terms of payment.^[41] On their second meeting, they requested San Pedro to execute an affidavit of non-tenancy to prove that the property was not occupied.^[42] On their third meeting, San Pedro produced the requested affidavit, which was notarized by a certain Atty. Amando Tetangco.^[43] They set another meeting, for May 23, 1985, at which San Pedro arrived at the Cenica Hardware store with the affidavit of non-tenancy and the original title of the property.^[44] That same day, Carlito and his brother withdrew the amount of P150,000.00 from Solid Bank, and paid San Pedro, for which she signed a receipt.^[45] They then proceeded to the office of Atty. Venustiano Roxas for the execution of the contract of sale.^[46]

Jose Samaniego, the Municipal Assessor of Balagtas, Bulacan, produced, *inter alia*, the Declaration of Real Property No. 10786^[47] and Declaration of Real Property No. 01846,^[48] both in the name of Ruben Lee. Declaration of Real Property No. 10786, for the year 1987, covers the property identified by TCT No. T-305595, and proclaims the market value of this property to be P34,470.00. Declaration of Real Property No. 01846, for the year 1994, is for the property covered by TCT No. T-305595, and identifies the market value of the property to be P137,880.00.

Samaniego explained that the amount appearing on the declaration of real property stands for the value of a certain parcel of land per square meter if the land is residential, commercial or industrial, and per hectare if it is agricultural. The unit value is based on the schedule of market value prepared during the revision, which is approved by the Provincial Assessor and submitted to the Sangguniang Panlalawigan for approval. Thus, the bases for determining unit value are the deed of sale, the payment value and the production cost of the land.^[49]

The next witness, Atty. Amando Tetangco, testified that he notarized an affidavit of non-tenancy executed by Erlinda San Pedro sometime in May 1985.^[50] He identified his signature on the said affidavit, which he drafted.^[51] He also identified the signature of San Pedro, alleging that she caused the preparation of the affidavit,^[52] although he admitted that he had never met San Pedro prior to May 17, 1985, the date of execution of the affidavit.^[53]

Philip dela Torre, a real estate broker, testified as to the negotiations between San Pedro and Lee regarding the purchase price of the property.^[54] The sum of P150,000.00 was finally agreed upon,^[55] with the capital gains tax to be paid by Lee.^[56] The agreement between the parties was reduced in writing as the "*Kasulatan ng Ganap na Bilihan ng Lupa*".^[57] For his participation in the transaction, dela Torre received a commission of 3%, or P4,500.00.^[58] Dela Torre was one of the

witnesses to this contract, and identified his signature thereon.^[59] He also identified (1) the signature of San Pedro, who signed the document in his presence,^[60] and (2) the document embodying the agreement that Ruben Lee would pay the capital gains tax on the transaction.^[61]

Finally, Atty. Venustiano Roxas testified for the respondents. He recalls having prepared and notarized the "*Kasulatan ng Ganap na Bilihan ng Lupa*", and identified his signature thereon.^[62]

On June 22, 1998, the trial court rendered a decision in favor of petitioner, declaring the contract between petitioner and respondents as one of mortgage and not of sale, and ordering the reconveyance of the property and the payment of damages.

On appeal, the Court of Appeals reversed the trial court, and rendered a decision in favor of respondents, the dispositive portion of which reads:

WHEREFORE, premises considered, the assailed Decision dated 22 June 1998 of the Regional Trial Court of Malolos, Bulacan, Branch 17 is hereby REVERSED and SET ASIDE, and a new one is hereby entered dismissing the Complaint for lack of merit. No pronouncement as to costs.

SO ORDERED.

Hence, this appeal, which raises the sole issue of whether the contract in question is an equitable mortgage or a deed of absolute sale.

The document appears on its face to be a contract of sale, and contains the following clause:

Na dahil at alang-alang sa halagang ISANG DAAN AT LIMAMPUNG LIBONG PISO (P150,000.00), Salaping Pilipino, na ngayong araw na ito ay ibinayad sa akin at tinanggap ko naman ng buong kasiyahan-loob bilang husto at ganap na kabayaran ni RUBIN T. LEE, may sapat na gulang, Pilipino, kasal kay Lilian Sison at naninirahan sa 230 MacArthur Highway, Karuhatan, Valenzuela, Metro Manila, aking IPINAGBIBILI, ISINASALIN at INILILIPAT ng ganap at patuluyan at walang anumang pasusubali o pananagutan, ang lahat at boo ^[sic] kong karapatan at pagmamay-ari at pamumusesyon sa nabanggit na lagay ng lupa at mga kaunlaran o mejoras na dito ay makikita o nakatirik o matatagpuan sa nasabing RUBIN T. LEE at sa kanyang mga tagapamana o kahalili.^[63]

Its nomenclature notwithstanding, we are called upon to decide whether the contract is really one of equitable mortgage, in accordance with the statutory presumptions set forth in Article 1602 of the Civil Code, which are applicable to documents purporting to be contracts of absolute sale.^[64]

Article 1602 provides:

Art. 1602. The contract shall be presumed to be an equitable mortgage, in any of the following cases: