

FIRST DIVISION

[G.R. No. 144712, July 04, 2002]

**SPOUSES SILVESTRE AND CELIA PASCUAL, PETITIONERS, VS.
RODRIGO V. RAMOS, RESPONDENT.**

D E C I S I O N

DAVIDE, JR., C.J.:

Before us is a petition for review on *certiorari* assailing the 5 November 1999 Decision^[1] and the 18 August 2000 Resolution^[2] of the Court of Appeals in CA G.R. CV No. 52848. The former affirmed the 5 June 1995 and 7 September 1995 Orders of the Regional Trial Court, Malolos, Bulacan, Branch 21, in Civil Case No. 526-M-93, and the latter denied petitioner's motion for reconsideration.

The case at bar stemmed from the petition^[3] for consolidation of title or ownership filed on 5 July 1993 with the trial court by herein respondent Rodrigo V. Ramos (hereafter RAMOS) against herein petitioners, Spouses Silvestre and Celia Pascual (hereafter the PASCUALs). In his petition, RAMOS alleged that on 3 June 1987, for and in consideration of P150,000, the PASCUALs executed in his favor a Deed of Absolute Sale with Right to Repurchase over two parcels of land and the improvements thereon located in Bambang, Bulacan, Bulacan, covered by Transfer Certificate of Title (TCT) No. 305626 of the Registry of Deeds of Bulacan. This document was annotated at the back of the title. The PASCUALs did not exercise their right to repurchase the property within the stipulated one-year period; hence, RAMOS prayed that the title or ownership over the subject parcels of land and improvements thereon be consolidated in his favor.

In their Answer,^[4] the PASCUALs admitted having signed the Deed of Absolute Sale with Right to Repurchase for a consideration of P150,000 but averred that what the parties had actually agreed upon and entered into was a real estate mortgage. They further alleged that there was no agreement limiting the period within which to exercise the right to repurchase and that they had even overpaid RAMOS. Furthermore, they interposed the following defenses: (a) the trial court had no jurisdiction over the subject or nature of the petition; (b) RAMOS had no legal capacity to sue; (c) the cause of action, if any, was barred by the statute of limitations; (d) the petition stated no cause of action; (e) the claim or demand set forth in RAMOS's pleading had been paid, waived, abandoned, or otherwise extinguished; and (f) RAMOS has not complied with the required confrontation and conciliation before the barangay.

By way of counterclaim, the PASCUALs prayed that RAMOS be ordered to execute a Deed of Cancellation, Release or Discharge of the Deed of Absolute Sale with Right to Repurchase or a Deed of Real Estate Mortgage; deliver to them the owner's duplicate of TCT No. T-305626; return the amount they had overpaid; and pay each of them moral damages and exemplary damages in the amounts of P200,000 and

P50,000, respectively, plus attorney's fees of P100,000; appearance fee of P1,500 per hearing; litigation expenses; and costs of suit.

After the pre-trial, the trial court issued an order^[5] wherein it identified the following issues: (1) whether the Deed of Absolute Sale with Right to Repurchase is an absolute sale or a mere mortgage; (2) whether the PASCUALs have paid or overpaid the principal obligation; (3) whether the ownership over the parcel of land may be consolidated in favor of RAMOS; and (4) whether damages may be awarded.

Among the documents offered in evidence by RAMOS during the trial on the merits was a document denominated as *Sinumpaang Salaysay*^[6] signed by RAMOS and Silvestre Pascual, but not notarized. The contents of the document read:

Ako, si SILVESTRE PASCUAL, Filipino, nasa hustong gulang, may asawa at kasalukuyang naninirahan sa Bambang, Bulacan, Bulacan, ay nagsasabing buong katotohanan at sumusumpa sa aking mga salaysay sa kasulatang ito:

1. Na ngayong June 3, 1987 dahil sa aking matinding pangangailangan ng puhunan ay lumapit ako at nakiusap kay Rodrigo Ramos ng Taal, Pulilan, Bulacan na pautangin ako ng halagang P150,000.00.
2. Na aming napagkasunduan na ang nasabing utang ay babayaran ko ng tubo ng seven percent (7%) o P10,500.00 isang buwan (7% per month).
3. Na bilang sangla (collateral security) sa aking utang, kami ay nagkasundo na mag-execute ng Deed of Sale with Right to Repurchase para sa aking bahay at lupa (TCT No. 305626) sa Bo. Taliptip, Bambang, Bulacan, Bulacan ngayong June 3, 1987 at binigyan ako ni Mr. Ramos ng isang taon hanggang June 3, 1988 upang mabiling muli ang aking isinanla sa kaniya sa kasunduang babayaran kong lahat ang capital na P150,000.00 pati na ang P10,500.00 na tubo buwan buwan.
4. Na bilang karagdagang condition, si RODRIGO RAMOS ay pumayag sa aking kahilingan na kung sakali na hindi ko mabayaran ng buo ang aking pagkakautang (Principal plus interest) sa loob ng isang taon mula ngayon, ang nakasanglang bahay at lupa ay hindi muna niya iilitin (foreclose) o ipalilipat sa pangalan niya at hindi muna kami paaalisin sa tinitirhan naming bahay hanggat ang tubo (interest) na P10,500.00 ay nababayaran ko buwan buwan.
5. Na ako ay sumasang-ayon sa kundisyon ni Rodrigo Ramos na pagkatapos ng isang taon mula ngayon hanggang June 3, 1988 at puro interest lamang ang aking naibabayad buwan-buwan, kung sakaling hindi ako makabayad ng tubo for six (6) consecutive months (1/2 year after June 3, 1988 (6 na buwang hindi bayad ang interest ang utang ko) si Rodrigo Ramos ay binibigyan ko ng karapatan at kapangyarihan na mag-mayari ng aming bahay at lupa at kami ng aking pamilya ay kusang loob na aalis sa nasabing bahay at lupa na lumalabas na ibinenta ko sa kaniya dahil hindi ako nakasunod sa aming mga pinagkasunduang usapan.
6. At bilang finale ng aming kasunduan, ako ay nangangako na hindi maghahabol ng ano mang sukli sa pagkakailit ng aming bahay at lupa kung sakali mang dumating sa ganuong pagkakataon o sitwasyon o di kaya'y magsasampa ng reklamo kanino man.

Bilang pagsang-ayon sa mga nasabing kasunduan, kami ay lumagda sa ibaba nito kalakip ng aming mga pangalan ngayong ika-3 ng Hunyo, 1987.

*(Sgd.)Rodrigo
Ramos
Nagpautang*

*(Sgd.) Silvestre
Pascual
Umutang*

For their part, the PASCUALs presented documentary evidence consisting of acknowledgment receipts^[7] to prove the payments they had made.

The trial court found that the transaction between the parties was actually a loan in the amount of P150,000, the payment of which was secured by a mortgage of the property covered by TCT No. 305626. It also found that the PASCUALs had made payments in the total sum of P344,000, and that with interest at 7% per annum, the PASCUALs had overpaid the loan by P141,500. Accordingly, in its Decision^[8] of 15 March 1995 the trial court decreed as follows:

WHEREFORE, judgment is hereby rendered in favor of the defendants and against the plaintiff in the following manner:

1. Dismissing the plaintiff's petition;
2. Directing the Register of Deeds to cancel the annotation of the Deed of Sale with Right to Repurchase on the dorsal side of TCT No. 305626;
3. Awarding the defendants the sum of P141,500.00 as overpayment on the loan and interests;
4. Granting the defendants attorney's fee in the sum of P15,000.00 and P3,000.00 for litigation expenses.

With costs against the plaintiff.

RAMOS moved for the reconsideration of the decision, alleging that the trial court erred in using an interest rate of 7% per annum in the computation of the total amount of obligation because what was expressly stipulated in the *Sinumpaang Salaysay* was 7% per month. The total interest due from 3 June 1987 to 3 April 1995 was P987,000. Deducting therefrom the interest payments made in the sum of P344,000, the amount of P643,000 was still due as interest. Adding the latter to the principal sum of P150,000, the total amount due from the PASCUALs as of 3 April 1995 was P793,000.

Finding merit in the motion for reconsideration, which was not opposed by the PASCUALs, the trial court issued on 5 June 1995 an Order^[9] modifying its decision by deleting the award of P141,500 to the PASCUALs as overpayment of the loan and interest and ordering them to pay RAMOS P511,000 representing the principal loan plus interest. The trial court acknowledged that it had inadvertently declared the interest rate to be 7% per annum when, in fact, the *Sinumpaang Salaysay* stipulated 7% per month. It noted that during trial, the PASCUALs never disputed the stipulated interest rate. However, the court declared that the 7% per month interest is too burdensome and onerous. Invoking the protective mantle of Article 24 of the Civil Code, which mandates the courts to be vigilant for the protection of a party at a disadvantage due to his moral dependence, ignorance, indigence, mental weakness, tender age or other handicap, the trial court unilaterally reduced the

interest rate from 7% per month to 5% per month. Thus, the interest due from 3 June 1987 to 3 April 1995 was P705,000. Deducting therefrom the payments made by the PASCUALs in the amount of P344,000, the net interest due was P361,000. Adding thereto the loan principal of P150,000, the total amount due from the PASCUALs was P511,000.

Aggrieved by the modification of the decision, the PASCUALs filed a motion to reconsider the Order of 5 June 1995. They alleged that the motion for reconsideration filed by RAMOS was a mere scrap of paper because they received a copy of said motion only a day before the hearing, in violation of the 3-day-notice rule. Moreover, they had already paid the interests and had in fact overpaid the principal sum of P150,000. Besides, RAMOS, being an individual, could not charge more than 1% interest per month or 12% per annum; and, the interest of either 5% or 7% a month is exorbitant, unconscionable, unreasonable, usurious and inequitable.

RAMOS opposed the motion of the PASCUALs. He contended that the non-compliance with the 3-day-notice rule was cured when the trial court gave them an opportunity to file their opposition, but despite the lapse of the period given them, no opposition was filed. It is not correct to say that he was not allowed to collect more than 1% per month interest considering that with the moratorium on the Usury Law, the allowable interest is that agreed upon by the parties. In the absence of any evidence that there was fraud, force or undue influence exerted upon the PASCUALs when they entered into the transaction in question, their agreement embodied in the *Sinumpaang Salaysay* should be respected. Furthermore, the trial court had already reduced the interest rate to 5% per month, a rate which is not exorbitant, unconscionable, unreasonable and inequitable.

Their motion for reconsideration having been denied in the Order^[10] of 7 September 1995, the PASCUALs seasonably appealed to the Court of Appeals. They pointed out that since the only prayer of RAMOS in his petition was to have the title or ownership over the subject land and the improvements thereon consolidated in his favor and he did not have any prayer for general relief, the trial court had no basis in ordering them to pay him the sum of P511,000.

In its Decision^[11] of 5 November 1999, the Court of Appeals affirmed in toto the trial court's Orders of 5 June 1995 and 7 September 1995. It ruled that while RAMOS's petition for consolidation of title or ownership did not include a prayer for the payment of the balance of the petitioners' obligation and a prayer for general relief, the issue of whether there was still a balance from the amount loaned was deemed to have been raised in the pleadings by virtue of Section 5, Rule 10 of the Rules of Court, which provides that "[w]hen issues not raised by the pleadings are tried with the express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings." In the course of the trial, receipts were presented by the PASCUALs evidencing the payments they had made. Taken in conjunction with the *Sinumpaang Salaysay* which specified the interest rate at 7% per month, a mathematical computation readily leads to the conclusion that there is still a balance due from the PASCUALs, even at a reduced interest rate of 5% interest per month.

With the denial of their motion for reconsideration of the decision by the Court of Appeals, the PASCUALs filed before us the instant petition raising the sole issue of whether they are liable for 5% interest per month from 3 June 1987 to 3 April 1995.