

SECOND DIVISION

[G.R. No. 139982, November 21, 2002]

JULIAN FRANCISCO (SUBSTITUTED BY HIS HEIRS, NAMELY: CARLOS ALTEA FRANCISCO; THE HEIRS OF LATE ARCADIO FRANCISCO, NAMELY: CONCHITA SALANGSANG-FRANCISCO (SURVIVING SPOUSE), AND HIS CHILDREN NAMELY: TEODULO S. FRANCISCO, EMILIANO S. FRANCISCO, MARIA THERESA S. FRANCISCO, PAULINA S. FRANCISCO, THOMAS S. FRANCISCO; PEDRO ALTEA FRANCISCO; CARINA FRANCISCO-ALCANTARA; EFREN ALTEA FRANCISCO; DOMINGA LEA FRANCISCO-REGONDON; BENEDICTO ALTEA FRANCISCO AND ANTONIO ALTEA FRANCISCO), PETITIONER, VS. PASTOR HERRERA, RESPONDENT.

DECISION

QUISUMBING, J.:

This is a petition for review on certiorari of the decision^[1] of the Court of Appeals, dated August 30, 1999, in CA-G.R. CV No. 47869, which affirmed *in toto* the judgment^[2] of the Regional Trial Court (RTC) of Antipolo City, Branch 73, in Civil Case No. 92-2267. The appellate court sustained the trial court's ruling which: (a) declared null and void the deeds of sale of the properties covered by Tax Declaration Nos. 01-00495 and 01-00497; and (b) directed petitioner to return the subject properties to respondent who, in turn, must refund to petitioner the purchase price of ₱1,750,000.

The facts, as found by the trial court and affirmed by the Court of Appeals, are as follows:

Eligio Herrera, Sr., the father of respondent, was the owner of two parcels of land, one consisting of 500 sq. m. and another consisting of 451 sq. m., covered by Tax Declaration (TD) Nos. 01-00495 and 01-00497, respectively. Both were located at Barangay San Andres, Cainta, Rizal.^[3]

On January 3, 1991, petitioner bought from said landowner the first parcel, covered by TD No. 01-00495, for the price of ₱1,000,000, paid in installments from November 30, 1990 to August 10, 1991.

On March 12, 1991, petitioner bought the second parcel covered by TD No. 01-00497, for ₱750,000.

Contending that the contract price for the two parcels of land was grossly inadequate, the children of Eligio, Sr., namely, Josefina Cavestany, Eligio Herrera, Jr., and respondent Pastor Herrera, tried to negotiate with petitioner to increase the purchase price. When petitioner refused, herein respondent then filed a complaint for annulment of sale, with the RTC of Antipolo City, docketed as Civil Case No. 92-

2267. In his complaint, respondent claimed ownership over the second parcel, which is the lot covered by TD No. 01-00497, allegedly by virtue of a sale in his favor since 1973. He likewise claimed that the first parcel, the lot covered by TD No. 01-00495, was subject to the co-ownership of the surviving heirs of Francisca A. Herrera, the wife of Eligio, Sr., considering that she died intestate on April 2, 1990, before the alleged sale to petitioner. Finally, respondent also alleged that the sale of the two lots was null and void on the ground that at the time of sale, Eligio, Sr. was already incapacitated to give consent to a contract because he was already afflicted with *senile dementia*, characterized by deteriorating mental and physical condition including loss of memory.

In his answer, petitioner as defendant below alleged that respondent was estopped from assailing the sale of the lots. Petitioner contended that respondent had effectively ratified both contracts of sales, by receiving the consideration offered in each transaction.

On November 14, 1994, the Regional Trial Court handed down its decision, the dispositive portion of which reads:

WHEREFORE, in view of all the foregoing, this court hereby orders that:

1. The deeds of sale of the properties covered by Tax Dec. Nos. 01-00495 and 01-00497 are declared null and void;
2. The defendant is to return the lots in question including all improvements thereon to the plaintiff and the plaintiff is ordered to simultaneously return to the defendant the purchase price of the lots sold totalling to ₱750,000.00 for lot covered by TD 01-00497 and ₱1,000,000.00 covered by TD 01-00495;
3. The court also orders the defendant to pay the cost of the suit.
4. The counter-claim of the defendant is denied for lack of merit.

SO ORDERED.^[4]

Petitioner then elevated the matter to the Court of Appeals in CA-G.R. CV No. 47869. On August 30, 1999, however, the appellate court affirmed the decision of the Regional Trial Court, thus:

WHEREFORE, premises considered, the decision appealed from is hereby **AFFIRMED in toto**. Costs against defendant-appellant.

SO ORDERED.^[5]

Hence, this petition for review anchored on the following grounds:

I. THE COURT OF APPEALS COMPLETELY IGNORED THE BASIC DIFFERENCE BETWEEN A VOID AND A MERELY VOIDABLE CONTRACT THUS MISSING THE ESSENTIAL SIGNIFICANCE OF THE ESTABLISHED FACT OF RATIFICATION BY THE RESPONDENT WHICH EXTINGUISHED WHATEVER BASIS RESPONDENT MAY HAVE HAD IN HAVING THE CONTRACT AT BENCH ANNULLED.

II. THE DECISION OF THE COURT OF APPEALS ON "SENILE DEMENTIA":

A. DISREGARDED THE FACTUAL BACKGROUND OF THE CASE;

B. WAS CONTRARY TO ESTABLISHED JURISPRUDENCE; AND

C. WAS PURELY CONJECTURAL, THE CONJECTURE BEING ERRONEOUS.

III. THE COURT OF APPEALS WAS IN GROSS ERROR AND IN FACT VIOLATED PETITIONERS' RIGHT TO DUE PROCESS WHEN IT RULED THAT THE CONSIDERATION FOR THE QUESTIONED CONTRACTS WAS GROSSLY INADEQUATE.

[6]

The resolution of this case hinges on one pivotal issue: Are the assailed contracts of sale void or merely voidable and hence capable of being ratified?

Petitioner contends that the Court of Appeals erred when it ignored the basic distinction between void and voidable contracts. He argues that the contracts of sale in the instant case, following Article 1390^[7] of the Civil Code are merely voidable and not void *ab initio*. Hence, said contracts can be ratified. Petitioner argues that while it is true that a demented person cannot give consent to a contract pursuant to Article 1327,^[8] nonetheless the *dementia* affecting one of the parties will not make the contract void *per se* but merely voidable. Hence, when respondent accepted the purchase price on behalf of his father who was allegedly suffering from *senile dementia*, respondent effectively ratified the contracts. The ratified contracts then become valid and enforceable as between the parties.

Respondent counters that his act of receiving the purchase price does not imply ratification on his part. He only received the installment payments on his senile father's behalf, since the latter could no longer account for the previous payments. His act was thus meant merely as a safety measure to prevent the money from going into the wrong hands. Respondent also maintains that the sales of the two properties were null and void. First, with respect to the lot covered by TD No. 01-00497, Eligio, Sr. could no longer sell the same because it had been previously sold to respondent in 1973. As to lot covered by TD No. 01-00495, respondent contends that it is co-owned by Eligio, Sr. and his children, as heirs of Eligio's wife. As such, Eligio, Sr. could not sell said lot without the consent of his co-owners.

We note that both the trial court and the Court of Appeals found that Eligio, Sr. was already suffering from *senile dementia* at the time he sold the lots in question. In other words, he was already mentally incapacitated when he entered into the contracts of sale. Settled is the rule that findings of fact of the trial court, when affirmed by the appellate court, are binding and conclusive upon the Supreme Court.^[9]

Coming now to the pivotal issue in this controversy. A void or inexistent contract is one which has no force and effect from the very beginning. Hence, it is as if it has never been entered into and cannot be validated either by the passage of time or by ratification. There are two types of void contracts: (1) those where one of the essential requisites of a valid contract as provided for by Article 1318^[10] of the Civil Code is totally wanting; and (2) those declared to be so under Article 1409^[11] of the Civil Code. By contrast, a voidable or annulable contract is one in which the essential requisites for validity under Article 1318 are present, but vitiated by want of capacity, error, violence, intimidation, undue influence, or deceit.

Article 1318 of the Civil Code states that no contract exists unless there is a concurrence of consent of the parties, object certain as subject matter, and cause of