

THIRD DIVISION

[G.R. No. 108991, March 20, 2001]

**WILLIAM ALAIN MIAILHE, PETITIONER, VS. COURT OF APPEALS
AND REPUBLIC OF THE PHILIPPINES, RESPONDENTS.**

D E C I S I O N

PANGANIBAN, J.:

Actions for the annulment of contracts prescribe in four years. If the ground for annulment is vitiation of consent by intimidation, the four-year period starts from the time such defect ceases. The running of this prescriptive period cannot be interrupted by an extrajudicial demand made by the party whose consent was vitiated. If the facts demonstrating the lapse of the prescriptive period are apparent from the records, the complaint should be dismissed.

The Case

Before us is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, assailing the February 12, 1993 Decision^[1] of the Court of Appeals (CA) in CA-GR SP No. 29327. The dispositive part of the assailed Decision reads:

"WHEREFORE, the Petition for Certiorari is hereby GRANTED. The Order dated September 11, 1992 of the Regional Trial Court of Manila, Branch II in Civil Case No. 90-52519 is ANNULLED and SET ASIDE and a new one is entered dismissing the complaint on the ground of prescription.

SO ORDERED."^[2]

The Facts

The undisputed facts are summarized by the appellate court as follows:

"On March 23, 1990, [Petitioner] William Alain Mialhe, on his own behalf and on behalf of Victoria Desbarats-Mialhe, Monique Mialhe-Sichere and Elaine Mialhe-Lencquesaing filed a Complaint for Annulment of Sale, Reconveyance and Damages against [Respondent] Republic of the Philippines and defendant Development Bank of the Philippines before the [trial] court. It was alleged, to wit:

X X X X X X X X

4. That plaintiffs were the former registered owners of three parcels of land located at J.P. Laurel St., San Miguel, Manila with an aggregate area of 5,574.30 square meters, and a one (1) storey building erected thereon, formerly covered by Transfer Certificate of Title

No. 80645 of the Register of Deeds of Manila;

5. That the above-mentioned properties had been owned by and in the possession of plaintiffs and their family for over one hundred (100) years until August 1, 1976;
6. That on August 1, 1976, during the height of the martial law regime of the late President Ferdinand Marcos, [Respondent] Republic of the Philippines, through its armed forces, forcibly and unlawfully took possession of the aforesaid properties from defendants;
7. That [Respondent] Republic of the Philippines, through its armed forces, continued its lawful and forcible occupation of the premises from August 1, 1976 to August 19, 1977 without paying rentals, despite plaintiffs' demands therefor;
8. That meanwhile, the Office of the President showed interest in the subject properties and directed defendant DBP to acquire for the government the subject properties from plaintiff;
9. That on or about August 19, 1977, through threats and intimidation employed by defendants, plaintiffs, under duress, were coerced into selling the subject properties to defendant DBP for the grossly low price of P2,376,805.00 or about P400.00 per square meter;
10. That defendant DBP, in turn, sold the subject properties to [Respondent] Republic of the Philippines, through the Office of the President, in 1982;
11. That the only factor which caused plaintiffs to sell their properties to defendant DBP was the threats and intimidation employed upon them by defendants;
12. That after the late President Marcos left the country on February 24, [sic] 1986 after the EDSA revolution, plaintiffs made repeated extrajudicial demands upon defendants for [the] return and reconveyance of subject properties to them, the last being the demand letters dated 24 October 1989, copies of which are attached and made integral parts hereof as Annexes `A' and `A-1';
13. That despite demands, defendants unjustifiably failed and refused, and still unjustifiably fail and refuse, to return and reconvey the subject properties to plaintiff;

x x x x x x x x

(par. 4-13 of the Complaint, pp. 28-29, Rollo).

On May 25, 1990, [respondent] filed its Answer denying the substantial facts alleged in the complaint and raising, as special and affirmative defenses, that there was no forcible take-over of the subject properties and that the amount paid to private respondents was fair and reasonable.

Defendant DBP also filed its Answer raising as Special and Affirmative Defense that [petitioner's] action had already prescribed.

On August 3, 1990, the [trial] court issued an Order setting the pre-trial on September 20, 1990. Petitioner and private respondents filed their respective pre-trial briefs.

On March 5, 1992, [respondent] filed a Motion to Dismiss the complaint on the ground that the action ha[d] prescribed pursuant to Article (1)391 in relation to Article (1)390 of the Civil Code. Defendant DBP likewise filed a Motion for Preliminary Hearing of the Affirmative Defense raising the same ground of prescription as contained in the [respondent's] Motion to Dismiss.

On September 11, 1992, the [trial] court issued an Order, the dispositive portion of which reads, as follows:

`WHEREFORE, the motion for a preliminary hearing is hereby denied and the resolution of the motion to dismiss is deferred until trial x x x.' (pp. 23-26, rollo)."[3]

Respondent herein thus filed a Petition for *Certiorari* with the appellate court.

Ruling of the Court of Appeals

The CA ruled that petitioner's action had prescribed. A suit to annul a voidable contract may be filed within four (4) years from the time the defect ceases. As alleged in paragraph 12 of the Complaint, there is a clear indication that the alleged threat and intimidation employed against petitioner ceased when then President Ferdinand E. Marcos left the country on February 24, 1986. From February 24, 1986 to March 23, 1990, when the Complaint for Annulment of Sale was filed, more than four (4) years had elapsed. The CA also ruled that Article 1155 of the Civil Code, according to which a written extrajudicial demand by the creditors would interrupt prescription, referred only to a creditor-debtor relationship, which is not the case here.

Hence, this Petition.[4]

The Issues

These are the issues presented before us:

"Whether the Court of Appeals committed gross reversible error in finding that the trial court acted with grave abuse of discretion tantamount to lack of jurisdiction.

"Whether the Court of Appeals committed gross reversible error in setting aside the trial court's order of 11 September 1992 and in finding that:

- i. petitioner's action had prescribed; and,

ii. petitioner's extrajudicial demands did not interrupt prescription."^[5]

In the main, the Court will determine whether the action for the annulment of the Contract of Sale has prescribed.

The Court's Ruling

The Petition has no merit.

Main Issue: **Prescription**

Section 3, Rule 16 of the Rules of Court which was in effect at the time, expressly allowed the trial court to "defer the hearing and determination of the motion [to dismiss] until the trial if the ground alleged therein does not appear to be indubitable." Under the 1997 Rules of Civil Procedure, the rule now reads as follows:

"Sec. 2. *Hearing of motion.* -- At the hearing of the motion, the parties shall submit their arguments on the questions of law and their evidence on the questions of fact involved except those not available at that time. Should the case go to trial, the evidence presented during the hearing shall automatically be part of the evidence of the party presenting the same.

"SEC. 3. *Resolution of motion.* -- After the hearing, the court may dismiss the action or claim, deny the motion, or order the amendment of the pleading.

"The court shall not defer the resolution of the motion for the reason that the ground relied upon is not indubitable.

"In every case, the resolution shall state clearly and distinctly the reasons therefor. (3a)"

In the present case, the trial court deferred until trial the resolution of the Motion to Dismiss, because it found that the Complaint did not show on its face that the action had already prescribed. It deemed it better to allow the parties to present their evidence in a full-blown trial.

We disagree. The CA correctly set aside the Order of the trial court. In *Gicano v. Gegato*,^[6] this Court held that a complaint may be dismissed when the facts showing the lapse of the prescriptive period are apparent from the records. In its words:

"x x x. We have ruled that trial courts have authority and discretion to dismiss an action on the ground of prescription when the parties' pleadings or other facts on record show it to be indeed time-barred; x x x and it may do so on the basis of a motion to dismiss, or an answer which sets up such ground as an affirmative defense; or even if the ground is alleged after judgment on the merits, as in a motion for reconsideration; or even if the defense has not been asserted at all, as where no statement thereof is found in the pleadings, or where a defendant has been declared in default. What is essential only, to repeat, is that the