

## SECOND DIVISION

[ G.R. No. 133749, August 23, 2001 ]

**HERNANDO R. PEÑALOSA ALIAS "HENRY PEÑALOSA,"  
PETITIONER, VS. SEVERINO C. SANTOS (DECEASED),  
SUBSTITUTED BY HIS HEIRS: OLIVER SANTOS AND ADYLL M.  
SANTOS, AND ADELA DURAN MENDEZ SANTOS, RESPONDENTS.**

### D E C I S I O N

#### **QUISUMBING, J.:**

Petitioner appeals by *certiorari* from the decision of the Court of Appeals, which affirmed the judgment of the Regional Trial Court of Quezon City, Branch 78, in Civil Case No. Q-92-13531, declaring the deed of absolute sale entered into between petitioner and respondents as void and inexistent and ordering petitioner to vacate the subject property and to pay reasonable compensation for its use.

The facts, as revealed by the records, are as follows:

Respondents Severino C. Santos (deceased) and Adela Mendez Santos are registered owners of a residential house and lot located at No. 113 Scout Rallos Street, Quezon City under TCT No. PT-23458 (54434).<sup>[1]</sup> In 1988, Severino and Adela decided to sell their property and for this purpose, negotiated with petitioner Hernando (or Henry) Peñalosa. The property was then occupied by a lessee, Eleuterio Perez, who was given preference to buy it under the same terms offered by the buyer.<sup>[2]</sup> Perez proposed less favorable terms<sup>[3]</sup> and expectedly, Severino rejected his offer.

On August 1, 1988, petitioner Henry Peñalosa and respondent Severino Santos attempted to enter into an agreement whereby the latter, for a consideration of P1,800,000.00, would sell to the former the property subject of the instant case. The deed of absolute sale<sup>[4]</sup> (first deed) evidencing this transaction was signed by Henry but not by Severino, because according to the latter, Henry "took time to decide" on the matter.<sup>[5]</sup>

On August 15, 1988, Henry signed a document<sup>[6]</sup> stating that the first deed was executed between him and Severino, for the sole purpose of helping the latter eject Perez, the occupant of the property. Henry acknowledged in said document that although Severino had agreed to sell the property to him, he had not paid the consideration stated in the first deed.

Thereafter, Henry and Severino executed another deed of absolute sale<sup>[7]</sup> (second deed) for a higher consideration of P2,000,000.00. Although the second deed was originally dated "August 1988", superimposed upon the same was the date "September 12, 1988". This second deed was signed by both parties and duly

notarized. It states that Severino sells and transfers the house and lot to Henry, who had paid the full price of P2,000,000.00 therefor.

Severino explained that his initial asking price for the property was only P1,800,000.00 as shown in the first deed. But he later asked for a higher price because Henry could not give the money as soon as expected. However, Severino claimed that he made it clear to Henry that he agreed to sell the property under the second deed for P2,000,000.00, provided that payment be immediately effected. Severino said that he wanted to use the money to invest in another property located in Alabang and told Henry that if payment was made at a later date, the price would be the current market value at the time of payment.

Henry then gave Severino P300,000.00 as "earnest money", purportedly with the understanding that the former was to pay the balance within 60 days. Otherwise, said amount would be forfeited in favor of Severino.<sup>[8]</sup> The latter also maintained that he signed the second deed only for the purpose of facilitating Henry's acquisition of a bank loan to finance payment of the balance of the purchase price<sup>[9]</sup> and added that execution of the second deed was necessary to enable Henry to file a court action for ejectment of the tenant.<sup>[10]</sup>

After execution of the second deed, Henry filed a loan application with the Philippine American Life Insurance Company (Philam Life) for the amount of P2,500,000.00.<sup>[11]</sup> According to Henry, he had agreed with Severino during the signing of the second deed, that the balance of P1,700,000.00 would be paid by means of a loan, with the property itself given as collateral.<sup>[12]</sup>

Meanwhile, on the strength of the first deed and as new "owner" of the property, Henry wrote a letter<sup>[13]</sup> dated August 8, 1988 to the lessee, Eleuterio Perez, demanding that the latter vacate the premises within 10 days. Failing in this effort, Henry brought a complaint for ejectment<sup>[14]</sup> against Perez before the Office of the Barangay Captain.

On September 1, 1988, a Certification To File Action<sup>[15]</sup> was issued by the *barangay lupon*. This led to the subsequent filing of Civil Case No. 88-0439 for unlawful detainer, before the Metropolitan Trial Court of Quezon City, Branch 43, entitled "*Henry Peñalosa, Plaintiff vs. Eleuterio Perez, Defendant*". Claiming that he still had a subsisting contract of lease over the property, Perez countersued and brought Civil Case No. Q-88-1062 before the Regional Trial Court of Quezon City, Branch 96, entitled "*Eleuterio Perez, Plaintiff vs. Severino Santos, et. al, Defendants*". In this latter case, Perez assailed the validity of the sale transaction between Henry and Severino and impleaded the former as co-defendant of Severino.

While the aforesaid court cases were pending resolution, Philam Life informed Severino through a letter,<sup>[16]</sup> that Henry's loan application had been approved by the company on January 18, 1989. Philam Life stated in the letter that of the total purchase price of P2,500,000.00, the amount of P1,700,000.00 would be paid directly to Severino by Philam Life, while P800,000.00 would be paid by Henry.

The release of the loan proceeds was made subject to the submission of certain documents in Severino's possession, one of which is the owner's duplicate of the

Transfer Certificate of Title (TCT) pertaining to the property. However, when Henry and Severino met with officials of Philam Life to finalize the loan/mortgage contract, Severino refused to surrender the owner's duplicate title and insisted on being paid immediately in cash.<sup>[17]</sup> As a consequence, the loan/mortgage contract with Philam Life did not materialize.

Subsequently, on April 28, 1989, judgment<sup>[18]</sup> was rendered by the MTC-QC, Branch 43, in Civil Case No. 0439, ordering the tenant Perez to vacate and surrender possession of the property to Henry. In said judgment, Henry was explicitly recognized as the new owner of the property by virtue of the contract of sale dated September 12, 1988, after full payment of the purchase price of P2,000,000.00, receipt of which was duly acknowledged by Severino.

Upon finality of said judgment, Henry and his family moved into the disputed house and lot on August 1989, after making repairs and improvements.<sup>[19]</sup> Henry spent a total of P700,000.00 for the renovation, as evidenced by receipts.<sup>[20]</sup>

On July 27, 1992, Severino sent a letter<sup>[21]</sup> to Henry, through counsel, demanding that Henry vacate the house and lot, on the ground that Henry did not conclusively offer nor tender a price certain for the purchase of the property. The letter also stated that Henry's alleged offer and promise to buy the property has since been rejected by Severino.

When Henry refused to vacate the property, Severino brought this action for quieting of title, recovery of possession and damages before the Regional Trial Court of Quezon City, Branch 78, on September 28, 1992. Severino alleged in his complaint<sup>[22]</sup> that there was a cloud over the title to the property, brought about by the existence of the second deed of sale.

Essentially, Severino averred that the second deed was void and inexistent because: a) there was no cause or consideration therefor, since he did not receive the P2,000,000.00 stated in the deed; b) his wife, Adela, in whose name the property was titled, did not consent to the sale nor sign the deed; c) the deed was not registered with the Register of Deeds; d) he did not acknowledge the deed personally before the notary public; e) his residence certificate, as appearing in the deed, was falsified; and f) the deed is fictitious and simulated because it was executed only for the purpose of placing Henry in possession of the property because he tendered "earnest money". Severino also claimed that there was no meeting of minds with respect to the cause or consideration, since Henry's varied offers of P1,800,000.00, P2,000,000.00, and P2,500,000.00, were all rejected by him.

For his part, Henry asserted that he was already the owner of the property being claimed by Severino, by virtue of a final agreement reached with the latter. Contrary to Severino's claim, the price of the property was pegged at P2,000,000.00, as agreed upon by the parties under the second deed. Prior to the filing of the action, his possession of the property remained undisturbed for three (3) years. Nevertheless, he admitted that since the signing of the second deed, he has not paid Severino the balance of the purchase price. He, however, faulted the latter for the non-payment, since according to him, Severino refused to deliver the owner's duplicate title to the financing company.

On Aug. 20, 1993, the trial court rendered judgment in favor of Severino and disposed:

WHEREFORE, judgment is rendered as follows:

1) DECLARING the "Deed of Absolute Sale" which was signed by the plaintiff Severino C. Santos as vendor and the defendant as vendee and which was entered in the notarial register of notary public Dionilo Marfil of Quezon City as Doc. No. 474, Page No. 95, Book No. 173, Series of 1988, as inexistent and void from the beginning; and consequently, plaintiff's title to the property under T.C.T. No. PT-23458 (54434) issued by the Register of Deeds of Quezon City is quieted, sustained and maintained;

2) ORDERING the defendant to pay plaintiffs the amount of P 15, 000.00 a month as reasonable compensation for the use of the House and Lot located at No. 113 Scout Rallos St., Quezon City, beginning on the month of August, 1993, until the premises is fully vacated, (the compensation for the use thereof from the time the defendant had occupied the premises up to July, 1993, is recompensed for the repairs made by him); and

3) ORDERING the plaintiffs to reimburse the defendant the amount of P300,000.00 after defendant had vacated the premises in question, and the reasonable compensation for the use thereof had been paid.

All other claims and counterclaims are DENIED for lack of legal and factual bases. No pronouncement as to costs.

SO ORDERED.<sup>[23]</sup>

Both Henry and Severino appealed the above decision to the Court of Appeals. Before the appellate court could decide the same, Severino passed away and was substituted by his wife and children as respondents. Henry filed a motion for leave to be allowed to deposit P1,700,000.00 in escrow with the Landbank of the Philippines to answer for the money portion of the decision.<sup>[24]</sup> This motion was granted.

On December 29, 1997, the appellate court affirmed<sup>[25]</sup> the judgment of the trial court and thereafter, denied Henry's motion for reconsideration.<sup>[26]</sup> Thus, Henry brought this petition, citing the following as alleged errors:

#### I.

THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED IN CONCLUDING THAT THERE WAS NO PERFECTED CONTRACT OF SALE BETWEEN SEVERINO C. SANTOS AND PETITIONER HENRY R. PEÑALOSA.

## II.

THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED IN CONSIDERING NON-PAYMENT OF THE FULL PURCHASE PRICE AS CAUSE FOR DECLARING A PERFECTED CONTRACT OF SALE AS NULL AND VOID.

## III.

THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED IN REFUSING TO RECOGNIZE THAT OWNERSHIP OF THE SUBJECT PROPERTY HAD BEEN EFFECTIVELY VESTED UPON PETITIONER HENRY R. PEÑALOSA WHEN ACTUAL POSSESSION THEREOF HAD LAWFULLY TRANSFERRED TO PETITIONER HENRY R. PEÑALOSA BY VIRTUE OF THE COURT JUDGMENT IN THE EJECTMENT SUIT AGAINST THE FORMER LESSEE.<sup>[27]</sup>

The pivotal issue presented before us is whether or not the second deed is valid and constitutes evidence of the final agreement between the parties regarding the sale transaction entered into by them.

Petitioner maintains that the existence of a perfected contract of sale in this case is beyond doubt, since there clearly was a meeting of minds between the parties as to the object and consideration of the contract. According to petitioner, the agreement of the parties is evidenced by provisions contained in the second deed, which cannot possibly be simulated or fictitious. Subsequent and contemporaneous acts indubitably point to the fact that the parties truly intended to be bound by the second deed. Accordingly, the P2,000,000.00 stated therein was the actual price agreed upon by the parties as consideration for the sale.

On the other hand, in their memorandum, respondents insist that the second deed is a complete nullity because, as found by both the appellate and trial court: a) the consideration stated in the deed was not paid; b) Severino's passport showed that he was in the U.S. when said deed was notarized; c) Severino did not surrender a copy of the title at the time of the alleged sale; d) petitioner did not pay real estate taxes on the property; e) it was executed only for the purpose of helping Severino eject the tenant; f) Severino's wife, Adela, did not sign the deed; and g) the various documentary exhibits proved that there was no price certain accepted or paid.

Respondents additionally argue that petitioner merely seeks a review of the aforesaid factual findings of the lower court and that consequently, we should deny the petition on the ground that it raises only factual questions.

Considering the pivotal issue presented after close scrutiny of the assigned errors as well as the arguments of the parties, we are unable to agree with respondents and we must give due course to the petition.

First of all, the petition filed before this Court explicitly questions "the legal significance and consequences of the established facts"<sup>[28]</sup> and not the findings of fact themselves. As pointed out by petitioner, he submits to the factual findings of the lower court, but maintains that its legal conclusions are irreconcilable and inconsistent therewith. He also states that the grounds relied upon in this petition do not call for the weighing of conflicting evidence submitted by the parties. Rather,