

THIRD DIVISION

[G. R. No. 136857, November 22, 2000]

SPOUSES BARTIMEO AND CARIDAD VELASQUEZ AND SPOUSES JOHN AND GRACE VELASQUEZ-BALINGIT, PETITIONERS-APPELLANTS, VS. COURT OF APPEALS AND FILOMENA TEJERO, RESPONDENTS-APPELLEES.

DECISION

GONZAGA-REYES, J.:

This is a petition for review of the decision of the Court of Appeals dated July 15, 1998 in CA-G.R. No. 136857 affirming in toto the decision of the Regional Trial Court of Quezon City, Branch 94 in Civil Case no. RTC-Q-38613, an action for annulment of document and damages.

The antecedents are as follows:

On June 24, 1983, herein private respondent Tejero filed this action for annulment of document and damages alleging that she has been residing in a 185 sq. meter lot located at Project 4, Quezon City since 1953 and that she applied with the People's Homesite and Housing Corporation (PHHC) to purchase the same. To be able to make final payment to the PHHC and to secure registration of the lot in her name, she obtained a loan from petitioner spouses Atty. Caridad and Bartimeo Velasquez sometime in May 1967 in the amount of P5,000.00. From this amount, the spouses Velasquez allegedly deducted the amount of P900.00 as advance interest for six months at the rate of 3% a month. The loan is covered by a deed of mortgage dated May 26, 1967.^[1] After full payment was made to PHHC Tejero was issued Transfer Certificate of Title No. 120513^[2], which she delivered to the Velasquez spouses as agreed upon. On August 18, 1967 Tejero obtained another loan from the Velasquez spouses in the amount of P2,000.00 and from this amount P1,260 was deducted as advance interest for six months at the rate of 3% per month, P429.76 for taxes and P250.00 for attorney's fees. On this date, Tejero was asked by the Velasquez spouses to sign another deed of mortgage^[3] for the total amount of her indebtedness of P7,000.00, wherein the mortgagor, Tejero, was given three months from date within which to pay the total loan.

Tejero admitted before the trial court that although she made small payments in cash and in kind to the spouses Velasquez she failed to pay the loan in full.^[4] She alleged that upon the suggestion of the Velasquez spouses who told her that they are very influential and can easily secure a loan from a bank using the subject lot as collateral, she signed a deed of sale over the subject lot in their favor. Tejero claimed that she did not receive any consideration for the sale because they agreed that after the spouses had obtained a bank loan they will reconvey the lot to her and she will then assume the obligation with the bank, and that from the proceeds of the

bank loan Tejero's previous loan of P7,000.00 plus interest will be deducted.^[5] Thus, on January 17, 1970 three documents were executed by the parties: 1) a deed of cancellation of the August 18, 1967 mortgage stating that Tejero has fully paid the loan obligation of P7,000.00;^[6] 2) a deed of absolute sale over the subject lot in favor of the Velasquez spouses for P19,000.00;^[7] and 3) a document captioned "Agreement"^[8] wherein the Velasquez spouses agreed to re-sell the lot to Tejero upon payment of the purchase price of P19,000.00 within one year from date or until January 17, 1971; otherwise, Tejero shall immediately vacate the premises.

The projected bank loan did not materialize. The Velasquez spouses registered the lot in their names and was issued Transfer Certificate of Title No. 155273 dated July 14, 1970^[9] and in 1973 sold it to their daughter, Grace Velasquez-Balingit, who likewise registered the lot in her and her husband's name under Transfer Certificate of Title No. 19442.^[10] Hence this action for annulment of (1) the January 17, 1970 deed of sale in favor of the Velasquez spouses, (2) the deed of sale executed by the Velasquez spouses in favor of their daughter Grace Velasquez-Balingit and (3) the Transfer Certificate of Title No. 19442 issued in favor of the latter. Plaintiff also prayed for the award of actual and moral damages.

Defendants spouses Velasquez filed Answer with counterclaim^[11] stating that Tejero sold the lot to them as she could not pay the mortgage loan. The spouses claim that they agreed to sell the lot to Tejero upon full payment of the purchase price within one year from January 17, 1970, otherwise Tejero will pay rent for the use and occupation of the premises at the rate of P150.00 per month. Defendants allege that Tejero failed to repurchase the lot within the period agreed upon, and hence they sold it to their daughter and her husband, co-defendants Grace Velasquez-Balingit and her husband.

After almost six years of protracted proceedings which was successively presided over by four trial court judges the trial court rendered judgment on April 4, 1989 in favor of the plaintiff as follows:

"Wherefore, the Court renders judgment in favor of the plaintiff and against the defendants by:

1. Declaring the Deed of Sale executed by the plaintiff in favor of the defendant-spouses Bartemio Velasquez and Caridad Velasquez, together with that of Transfer Certificate of Title No. 155273 of the Registered of Deeds of Quezon City, in the name of Caridad Velasquez as null and void;
2. Declaring further Transfer Certificate of Title No. 19442 in the name of Grace Velasquez-Balingit of the Register of Deeds of Quezon City as null and void;
3. Ordering the Register of Deeds of Quezon City to issue a new certificate of title on the subject property, after

payment of the required fees, in favor of Filomena C. Tejero, the plaintiff herein;

4. The court further orders the defendants to pay attorney's fees in the amount of P10,000.00, plus cost of the suit.

SO ORDERED.

The spouses Velasquez as defendants-appellants before the Court of Appeals raised mainly procedural issues i.e., that they were erroneously declared in default by the first trial judge who heard the case which amounted to a denial of due process; that the trial court erred in reinstating the case after the order of dismissal dated January 15, 1985 for Tejero's failure to appear at the pre-trial had attained finality; that the trial court erred in deciding the case despite Tejero's non-compliance with the order of the court requiring her to submit the records of the proceedings before Judge Arturo Tayag, and finally that the trial court erred in rendering judgment without competent evidence on record as basis thereof. The appellants prayed for the remand of the case for further proceedings.

The plaintiff-appellee Tejero refuted the appellants' contentions and argued that the decision of the trial court is based on competent evidence duly presented in court and that the trial court exhaustively considered the facts of the case in reaching the assailed conclusions. Tejero added that the notice of appeal filed by the appellant before the trial court was filed beyond the 15-day reglementary period.

The appellate court affirmed the decision of the trial court in toto. The appellate court held that the procedural issues raised by the appellants were mooted when they filed Answer with counterclaims before the trial court and that the order of dismissal was subsequently reinstated by the trial court in the higher interest of justice. The appellants' contention that the case should have been dismissed for the appellee's failure to comply with the trial court's order dated September 27, 1988 requiring the appellee to present the records of the proceedings or evidence presented before Judge Tayag is without merit. The trial court found that the appellee had complied with the said order. Finally, the appellate court held that only the testimony of appellee Tejero taken on August 11, 1987 was ordered stricken off the record and not her entire testimony; the trial court had sufficient evidence upon which its judgment was founded and the findings of facts of the trial court when so founded is entitled to great respect upon review of the case on appeal.

Hence this petition for review.

The petitioners reiterate the procedural issues raised before the appellate court and pray for this Court to review the entire records of the case. They contend in their memorandum that the order of dismissal dated May 3, 1985 became final and so all proceedings subsequent thereto, including the decision of the trial court dated April 4, 1989, are void. Secondly, the alleged compliance made by herein private respondent Tejero with the September 27, 1988 order is belied by the records of the case which states that the said compliance was made on May 4, 1989 or a month after the decision of the trial court was rendered. Moreover, the complete records of the proceedings before Judge Arturo Tayag could not have been presented by the respondent in view of the certification of the Branch Clerk of the said sala that the entire records of the case were burned in the fire that razed the Quezon City Hall on

June 11, 1988.

Private respondent Tejero prays for the affirmance of the findings of the trial court that the deed of sale in favor of the Velasquez spouses is void and accordingly the certificate of title of petitioner Velasquez-Balingit derived from her mother's title is likewise void. Private respondent reiterates the finding of the appellate court that only the testimony of respondent Tejero on August 11, 1987 was expunged from the record and not her entire testimony. It is argued that the trial court's decision is based on competent and substantial evidence on record.

The appeal has no merit.

It is not disputed by the parties that on January 17, 1970 they executed three documents bearing the same date. The parties do not contest the existence of the said documents but proffered contradictory explanations for their execution. The private respondent argued that the deed of sale is a fictitious contract and that she received no valid consideration therefor and accordingly, the petitioners' title derived from such void contract is likewise void; on the other, the petitioners claim that the contract between them is that of sale and lease.

The real nature of a contract may be determined from the express terms of the agreement and from the contemporaneous and subsequent acts of the parties thereto.^[12] When the parties do not intend to be bound at all by the purported contract, it is called an absolutely simulated contract which under the law is void and the parties may recover what they gave under the simulated contract. If, on the other hand, the parties state a false cause in the contract to conceal their real agreement, the contract is relatively simulated and the parties' real agreement may be held binding between them.^[13]

We uphold the findings of the trial court which was affirmed by the Court of Appeals that the evidence is in accord with the contentions of the plaintiff-private respondent. The trial court held:

"First, the Deed of Sale was executed without consideration. No amount representing the purchase price was ever received by the plaintiff. A contract without a cause, produces no effect whatsoever and is contrary to law, morals, good customs, public order and public policy and has no binding effect.

Second, it is evident that the deed of sale was a sham agreement. It was a fictitious sale since when it was executed, plaintiff had no intention to divest herself of the possession of the title and control of the said property. The intention was merely to facilitate the loan by utilizing the property as collateral to the said loan, where upon perfection of the loan, title shall be reconveyed to the plaintiff after deducting the balance of the plaintiff's previous loan plus expenses. However, although no loan was ever obtained, title to the property was not reconveyed to the plaintiff. Instead, it was further transferred to a third party, Grace Velasquez-Balingit, who is the defendants' daughter. This is clearly an act done to bring title to the property further away from the plaintiff. This subsequent transfer of title indicates fraudulent machination and bad