

FIRST DIVISION

[G.R. No. 125497, November 20, 2000]

**UNICANE FOOD PRODUCTS MANUFACTURING, INC. PETITIONER,
VS. HON. COURT OF APPEALS, SPOUSES PABLO & FELISA
MANESE, SPOUSES NICANOR & LUTGARDA VELASQUEZ AND
CICERON MANESE, RESPONDENTS.**

D E C I S I O N

PARDO, J.:

The case before us is a petition for review on *certiorari* of the decision of the Court of Appeals reversing the appealed decision and dismissing petitioner's complaint.^[1]

The facts taken from the decision of the Court of Appeals are as follows:

On June 6, 1975, Felisa Feliciano Manese and Roberto Regala Keh Yung entered into a contract of lease^[2] with option to buy a parcel of land covered by Transfer Certificate of Title No. 121058-R^[3] in the name of Felisa Feliciano Manese as her paraphernal property, consisting of thirty-eight thousand twenty seven (38,027) square meters, more or less, located at Bo. San Isidro, San Fernando, Pampanga. The lease was for a period of fifteen (15) years, from June 6, 1975 to June 7, 1990, at a yearly rental of ten thousand (P10,000.00) pesos.

Three days after the execution of the lease, the parties agreed to an amendment^[4] in the contract of lease. The parties mutually agreed that the real and actual LESSEE of the premises is the UNICANE FOOD PRODUCTS MANUFACTURING, INC., (hereinafter UNICANE for brevity) but all the other terms of the original contract of lease remain the same. Both contracts of lease were registered in the memorandum of encumbrance on TCT No. 121058-R, as entries 1340 and 2191, respectively.

Subsequently, UNICANE faithfully complied with the terms and conditions of the lease agreement, paying in advance its yearly rentals. In the course of the lease agreement, UNICANE and Felisa Manese verbally agreed to extend the term of the lease up to December 7, 1997, and UNICANE paid advance rental in the amount of twenty thousand pesos (20,000.00) on July 3, 1987, for the extended term. Felisa promised that she would execute an extended lease contract.

However, on September 6, 1978, upon the persuasion of her two daughters Lutgarda and Ciceron Manese, Felisa sold her three (3) parcels of land for fifteen thousand pesos (P15,000.00), without the consent of her husband Pablo, to her daughters who were in financial difficulties. The sale was with the undertaking that the parcels of land would be returned to Felisa after the two daughters had overcome their financial problems.

Due to the sale, a new certificate of title^[5] was issued in the name of Lutgarda and Ciceron Manese, and, on January 25, 1989, Lutgarda and Ciceron mortgaged the property with the Planters Development Bank in consideration of a loan. Not a single centavo of the mortgage proceeds ever went to Felisa.

Petitioner after realizing that Felisa was not keen on issuing an amended lease contract decided to have the receipts for its advance payments of the rentals registered as an encumbrance on the property.

It was at this time that petitioner learned about the Deed of Absolute Sale of the property covered by the lease to Lutgarda Manese-Velasquez, married to Nicanor Velasquez and Ciceron Manese for the sum of fifteen thousand (P15,000.00) pesos, and that Lutgarda and Ciceron Manese had obtained a Transfer Certificate of Title in their names on August 1988, under TCT No. 265688-R, over ten years after the deed of absolute sale was executed.

UNICANE then demanded that the deed of absolute sale between Felisa Manese and Lutgarda and Ciceron Manese be disregarded as he was deprived of his preferential option to buy as stated in paragraph 7 of the contract of lease. However, Lutgarda and Ciceron Manese even warned petitioner UNICANE that they would no longer extend the lease agreement beyond 1990, which is contrary to UNICANE's agreement with Felisa that the lease would be extended up to December 7, 1997. Petitioner also wanted to exercise its option to buy the premises at the same price it was sold to Lutgarda and Ciceron Manese.

However, respondents Manese refused to sell. Hence, on July 10, 1989, UNICANE filed with the Regional Trial Court, San Fernando, Pampanga, Branch 46, a complaint^[6] for annulment of the deed of absolute sale against respondents.^[7]

On September 8, 1992 the trial court rendered a decision in favor of petitioner, the dispositive portion of which states:

"WHEREFORE, this Court hereby holds and so orders that:

"1. The period of the contract of lease between defendant Felisa Feliciano Manese and the plaintiff was effectively extended up to December 7, 1997;

"2. The Deed of Absolute Sale (Exhibit "G") between defendant Felisa Feliciano Manese on the one hand, and defendants Lutgarda Manese Velasquez (married to Nicanor Velasquez) and Ciceron Manese, executed on September 6, 1978 is hereby rescinded or nullified;

"3. Defendant Felisa Feliciano Manese execute a deed of absolute sale over the leased premises in favor of the plaintiff at a purchase price of Fifteen Thousand Pesos (P15,000.00) and under the same terms and conditions as the Deed of Absolute Sale she executed in favor of defendants Lutgarda Manese Velasquez Manese and Ciceron Manese;

"4. Defendants pay, jointly and severally, plaintiff the sum of P50,000.00, for and as attorney's fees; and

"5. Defendants pay, jointly and severally, plaintiff the costs of suit and litigation.

"SO ORDERED."^[8]

On September 15, 1992, respondents filed with the trial court their notice of appeal.^[9] After due proceedings, on February 29, 1996, the Court of Appeals promulgated its decision, the relevant portions of which read:

"We note that the supposed sale was between a parent, Felisa Feliciano Manese and the children Lutgarda Manese Velasquez and Ciceron Manese. It is common knowledge and practice that between relatives especially between parent and children, ways are performed in order to transfer property without incurring monetary burden on the part of both the transferor and transferee. x x x

"Thus , in 1978, when the deed of absolute sale was executed by Felisa, the latter had no intention to transfer ownership thereof. More so, there was likewise no intention to buy the property on the part of the supposed vendee as they had not paid the price of the property. x x x The fact that the actual negotiation with the bank was held ten years later is of no moment as the intention of the supposed vendor and vendees in 1978 was not to transfer ownership which is an incident of the sale. Hence the preferential option of Unican while the contract of lease was subsisting was not violated. We hold therefore that since the intent to be bound is not present, the supposed sale is an absolutely simulated one, which the law regards as null and void. x x x

"It is, thus clear from the foregoing that no valid extension of the lease up to 1997 was entered between appellee Unican and appellant Felisa Feliciano Manese; that the sale between Felisa Feliciano Manese and Lutgarda Manese Velasquez and Ciceron Manese is a simulated one; and that Unican has no legal right to compel Felisa Feliciano Manese to execute a deed of absolute sale over the subject property as its preferential option was lost with the expiration of the lease contract.

"Consequently, plaintiff-appellee is not entitled to attorneys fees.

"WHEREFORE, premises considered, the complaint is DISMISSED and the appealed decision is hereby REVERSED."^[10]

On March 26, 1996, petitioner Unican filed a motion for reconsideration of the decision;^[11] however, on June 28, 1996, the Court of Appeals denied the motion.

Hence, this petition.^[12]

Petitioner raised the following issues: