

## FIRST DIVISION

[ G.R. No. 128850, November 20, 1998 ]

**ARCHIPELAGO MANAGEMENT AND MARKETING CORPORATION,  
PETITIONER, VS. COURT OF APPEALS AND THE HEIRS  
OF ROSALINA SANTOS-MORALES, NAMELY, EMETERIO MORALES,  
LYDIA TRINIDAD, ROGELIO DE LA PAZ AND EMMANUEL S. DE LA  
PAZ, RESPONDENTS.**

### D E C I S I O N

**PANGANIBAN, J.:**

The issue of whether fraud attended the execution of a contract is factual in nature. Normally, this Court is bound by the appellate court's findings, unless they are contrary to those of the trial court, in which case we may wade into the factual dispute to settle it with finality. However, after meticulously poring over the records and carefully weighing the arguments of the parties, we find no reversible error in the Amended Decision of the Court of Appeals resolving this property dispute between the separate heirs of the first marriages of a widow and a widower who, after the death of their respective first spouses, married each other.

#### The Case

This is the gist of our ruling on the Petition for Review before us, which seeks to set aside the January 28, 1997 Amended Decision<sup>[1]</sup> and the April 23, 1997 Resolution<sup>[2]</sup> of the Court of Appeals<sup>[3]</sup> in CA-GR CV No. 46014. The Amended Decision granted private respondents' Motion for Reconsideration,<sup>[4]</sup> viz.:

**"WHEREFORE,** the Decision of this Court dated July 31, 1996 dismissing the complaint is **SET ASIDE,** and a new one is hereby rendered, **REVERSING** the appealed Decision of the lower court and declaring the Deed of Absolute Sale dated May 3, 1989 **ANNULLED.**"<sup>[5]</sup>

The April 23, 1997 Resolution, on the other hand, denied petitioner's own Motion for Reconsideration.

This case originated from a Complaint for Annulment of Contract with Damages, filed<sup>[6]</sup> before the Regional Trial Court (RTC) of Quezon City<sup>[7]</sup> by Rosalina Santos-Morales, through her daughter Lydia Trinidad, against Petitioner Archipelago Management and Marketing Corporation. Upon the death of Rosalina on October 7, 1992,<sup>[8]</sup> herein private respondents, in their capacity as heirs, filed an Amended Complaint<sup>[9]</sup> stating *inter alia* that they were substituting the deceased as plaintiffs.<sup>[10]</sup>

On April 15, 1994, the Complaint and the Counterclaim<sup>[11]</sup> were dismissed in the

RTC Decision, which was initially affirmed by the Court of Appeals (CA) in its original Decision dated July 31, 1996.<sup>[12]</sup> Acting on private respondents' Motion for Reconsideration with Motion for New Trial, the appellate court,<sup>[13]</sup> in its Amended Decision, reversed its previous ruling. Subsequently, as already stated, it also denied petitioner's own plea for reconsideration.

Undaunted, petitioner has brought this appeal for a final ruling on the matter.<sup>[14]</sup>

### **The Facts**

The factual antecedents of the case were identically summarized by the appellate tribunal in *both* its *original* and its *amended* Decisions, as follows:

"At the center of the controversy is a parcel of land upon which are erected residential buildings located at No. 58, South Maya Street, Philamlife Homes, Quezon City. Before the controversy, the subject property was owned and titled in the name of Rosalina Santos Morales, covered by TCT No. 255716. The latter had children by first marriage, one of whom is Lydia Trinidad (plaintiff-appellant). When Rosalina was widowed, she married Emeterio Morales, a widower, who also had children by a former marriage, including Narciso Morales, president of Archipelago Management and Marketing Corporation (defendant-appellee). For more than forty (40) years, Rosalina and Emeterio lived together in the subject property, leasing out the building as a retreat house to outside parties.

"When several offices in the Quezon City Hall w[ere] razed by fire in 1988, many records, including original certificates of title[, ] were reduced to ashes. Consequently, landowners with real properties in Quezon City had to apply for reconstitution of their individual titles. Sometime in August of that year, it is alleged that Emeterio Morales took the owner's duplicate certificate of title over the subject property from Rosalina's designated caretaker, and on the pretext that he was going to apply for reconstitution of title, he was able to convince Rosalina to affix her signature on several documents. One of those documents turned out to be a Deed of Absolute Sale dated May 3, 1989, wherein it was stipulated that Rosalina sold to the defendant-appellee corporation the subject property for One Million Two Hundred Thousand (P1,200,000.00) Pesos. By virtue thereof, a new title was issued in favor of the defendant-appellee corporation.

"Meanwhile, Rosalina Morales and her husband, Emeterio, continued to reside in the subject property. She even entered into a 5-year lease contract over the buildings with the siblings of Rodolfo and Nympha Alano on May 19, 1989. She also continued to pay the yearly realty taxes on said property.

"In 1992, Rosalina's daughter, Lydia Trinidad, returned from the United States of America. Lydia inquired about the title to the subject property, and she learned from the Office of the Register of Deeds of Quezon City about the Deed of Absolute Sale between Rosalina and the defendant-appellee corporation.

"On July 17, 1992, Rosalina Santos-Morales, represented by Lydia Trinidad, filed an action for annulment of the Deed of Absolute Sale with damages against the defendant corporation. She denied having sold the subject property, allegedly paraphernal, to anybody, much less to the defendant corporation. She further alleged that her signature on the said document was obtained by means of fraud, deceit and insidious machinations on the part of her husband, Emeterio, and her stepson, Narciso Morales, for and in behalf of the defendant corporation. She also denied having received any consideration in the amount of P1,200,000.00. In fact, when she learned of the said transaction, she immediately filed an affidavit of adverse claim before the Register of Deeds of Quezon City. She argued that the fact the she entered into a contract of lease over the subject property even after the Deed of Absolute Sale was supposedly executed is proof that she knew of no sale to the defendant corporation. Consequently, she contended that the said Deed of Absolute Sale was invalid for fraud and vices of consent.

"Furthermore, she pointed out that there were irregularities in the execution of the disputed Deed of Absolute Sale. First, the residence certificate cited in the Deed dated May 3, 1989 was issued way back on January 26, 1988 in Malabon, Rizal, when she already had a new one issued on January 26, 1989 in Quezon City. Second, Vicente M. Joyas, who notarized the disputed Deed of Absolute Sale was not appointed as Notary Public of Manila in 1988 for the term ending on December 31, 1989, per verification from the Office of the Clerk of Court of Manila.

"Accordingly, she prayed that the Deed of Absolute Sale be annulled; that Lydia Trinidad be appointed her guardian ad litem; and that the defendant corporation be made to pay P200,000.00 as and for moral damages; P100,000.00 as and for actual and compensatory damages; P150,000.00 as and for attorney's fees and litigation costs.

"In its answer, the defendant corporation denied that the subject property was paraphernal, claiming that it was purchased and the improvements thereon constructed using the money of Emeterio Morales, the plaintiff's husband, during the existence of their marriage. It was also contended that the plaintiff, who was at that point physically disabled and senile, could not have known of nor consented to her daughter's filing of the present action, for her (plaintiff) thumbmark could have easily been affixed on the adverse claim and the complaint itself by Lydia Trinidad. The defendant also questioned Lydia Trinidad's authority to file the action when she had not yet been appointed guardian ad litem.

"Moreover, the defendant negated the plaintiff's allegation that Emeterio Morales took the certificate of title from the caretaker since the said title was in Rosalina Morales' possession, and he could not have misled her to sign the Deed of Absolute Sale on the pretext that it was only in connection with the application for reconstitution of said title. It was pointed out that at that time, Rosalina Morales was in full possession of her mental faculties and was in fact, a very intelligent and astute woman. To corroborate this allegation, the defendant corporation attached as

annexes several motions and a compromise agreement executed by Rosalina Morales in Special Proceeding No. 5010 before the RTC of Pasig, Metro Manila, in the exercise of her duties as administratrix of the sizable estate of her deceased aunt. Thus, there was no truth to the allegation that Rosalina Morales' consent to the sale of the subject property was not given freely and voluntarily, considering that she was mentally and physically aware of everything that was going on around her.

"Furthermore, the defendant argued that the alleged irregularity in the residence certificate and the notarization of the document would not in any way affect the validity of the sale since a public instrument [was] not essential to its validity. Insofar as the lease was concerned, Narciso Morales alleged that he tolerated it since he made a commitment to his father and stepmother (the Morales spouses) that they could reside in and enjoy the fruits of the subject property for as long as they lived, out of his love and devotion for them. Thus, the plaintiff had no cause of action and the suit was baseless in fact and in law.

"The defendant then prayed that judgment be rendered in its favor, dismissing the complaint and ordering the plaintiff to pay P1,000,000.00 by way of compensatory damages, P500,000.00 as corrective damages; P200,000.00 as and for attorney's fees and costs of suit.

"Even before the pre-trial conference could be held, on October 7, 1992, plaintiff Rosalina Santos-Morales passed away. Accordingly, her heirs, namely, Lydia Trinidad, Rogelio de la Paz, Emmanuel de la Paz and Emeterio Morales, as her surviving spouse, were substituted as co-plaintiffs. Emeterio Morales thereafter executed an affidavit wherein he declared that his inclusion as a party-plaintiff was without his consent or authorization. He also deposed that as one of Rosalina Morales' forced heirs, he [was] requesting that the civil case be withdrawn and/or dismissed.

"On April 30, 1993, the trial court issued the pre-trial Order limiting the issues to be resolved to the following[:]

"I. Whether or not the plaintiff, Rosalina Santos Morales, was of sound mind when the questioned Deed of Absolute Sale was executed on May 3, 1989.

"II. Whether or not the consent of Rosalina Santos-Morales, when she affixed her signature on the questioned Deed of Absolute Sale was vitiated by fraud.

"III. Whether or not defendant corporation paid the consideration stated in the Deed of Absolute Sale."<sup>[15]</sup>

### **The Ruling of the Court of Appeals**

In its assailed Amended Decision reversing the trial court's judgment, as well as its own earlier pronouncement, the CA ruled that "Rosalina never sold the property in question to defendant, contrary to what the Deed of Absolute Sale dated May 3,

1989 purports to show."<sup>[16]</sup>

The appellate court held that fraud vitiated the consent of Rosalina as indicated by the following circumstances "surrounding the signing of the Deed of Sale": (1) she "was tricked into believing that what she was signing was an application for the reconstitution of the lost [certificate of] title but which was actually a deed of absolute sale of the property in question"; (2) "there was no reason for [her] to sell her house and lot," because "[t]here was no evidence that would hint that the couple was in any economic problem"; (3) the person who notarized the document was not a commissioned notary public; (4) her expired residence certificate appeared on the Deed, although a new one had already been issued to her; (5) there is no substantial proof of payment; and (6) her subsequent acts showed that "she did not know or was not aware" that she signed any deed of sale.<sup>[17]</sup>

### **The Issue**

Petitioner raises this solitary issue:

"Whether or not the Court of Appeals committed a reversible error in reversing its original decision and the decision of the Regional Trial Court by annulling the Deed of Absolute Sale on a mere motion for reconsideration which did not raise new and substantial issues."<sup>[18]</sup>

Simply put, the main issue is whether the appellate court committed reversible error in ruling that the signature of Rosalina was fraudulently obtained. However, in discussing and determining the existence of a reversible error, we shall take up all the issues raised by petitioner before the Court of Appeals, as all of them revolve around the core question of fraud. First, we shall tackle a preliminary matter: the propriety of private respondents' Motion for Reconsideration before the CA.

### **This Court's Ruling**

The petition is devoid of merit.

#### **Preliminary Issue:** **Motion for Reconsideration**

The petitioner submits that the CA should have denied private respondents' Motion for Reconsideration, "as it did not raise new and substantial arguments and issues that would warrant the reversal of its original Decision."

We rule otherwise. Rule 9 of the Revised Internal Rules of the Court of Appeals simply requires that a motion for reconsideration state (1) the material dates and (2) the grounds relied upon by the movant.<sup>[19]</sup> The appellate tribunal is thus accorded the opportunity to correct a possible error in its decision.<sup>[20]</sup>

Herein private respondents' Motion for Reconsideration (MR) alleged that there was a newly discovered evidence -- the holographic will<sup>[21]</sup> of Rosalina. It is therefore incorrect to say that the arguments in the MR were mere rehashes of those already passed upon by the appellate court.