

## SECOND DIVISION

[ G.R. No. 102096, August 22, 1996 ]

**CARMELA CUIZON\* Y MONTALBAN, PETITIONER, VS. COURT OF APPEALS AND SPOUSES GERARDO AND MARIA PARAY, RESPONDENTS.**

### D E C I S I O N

**TORRES, JR., J.:**

In contractual relations, the law allows the parties much leeway and considers their agreement to be the law between them. This is because "courts cannot follow one every step of his life and extricate him from bad bargains x x x relieve him from one-sided contracts, or annul the effects of foolish acts."<sup>[1]</sup>

This is an aspect to be resolved in this case.

Petitioner seeks to review and set aside the Decision<sup>[2]</sup> of the respondent Court of Appeals dated September 27, 1991 (CA-GR. NO. 17228) which reversed and annulled the January 20, 1988 decision of the Regional Trial Court of Cebu City (Civil Case No. CEB-3835), and the Resolution promulgated on September 27, 1991 which denied her Motion for Reconsideration.

The following antecedent facts, as found by the trial court are culled from the testimony of, and the documents presented by petitioner:

"Plaintiff is a businesswoman engaged in general merchandising under the trademark Tropic Philippines Food. In 1983, she was introduced to defendants spouses Gerardo and Maria Paray, who are in the real estate business, by a certain Romy Verano, a mutual friend. When the friendship between the two parties developed, Maria Paray proposed to Carmela Kuizon that the spouses Paray would execute Special Power of Attorney in favor of plaintiff for five parcels of land with an aggregate area of 3,803 square meters, owned by defendants, which the plaintiff is to mortgage in her name using those same parcels of land as collaterals. The defendants at that time were in dire need of money to pay off their bank obligations. Plaintiff acceded to the plans after much persuasion on the agreement that Carmela Kuizon pay for the amortization of the loans and that for whatever amounts covered by the loans released from time to time, turned over to the defendants by plaintiff, the defendants will immediately convey to the plaintiff, each lot within the amount received by them computed at a mutually agreed price of P170.00 per square meter. As an inducement to the proposal and in partial compliance with their agreement, defendants executed in favor of plaintiff a Deed of Sale of Real Property over Lot No. 800-A-1-B under TD No. 34504 (Exhibit M-Deed of Sale dated June 6, 1983-for P25,000.00 over TCT No. 84791, Lot

No. 800-A-1-B, 314 sq. m.). Defendants also executed Special Power of Attorney, notarized June 30, 1983 over TCT Nos. 84793, 84792 and 84794 covering Lots Nos. 800-A-3, 800-A-2 and 800-A-4 (Exhibit C), and registered with the Register of Deeds). After said SPA (Exhibit C) was executed, plaintiff secured loan from the Rural Bank of Compostela for P50,000 with maturity dated on April 22, 1984 covering Lot No. 800-A-4 as collateral (Exhibit D and D-1 Discount and Disclosure Statement of Loan Transaction issued to Carmela Montalban by the Rural Bank of Compostela (Cebu) for P50,000.00 with net proceeds of P43,459.50; and Real Estate Mortgage executed by Carmela and Antonio Montalban in favor of Rural Bank of Compostela (Ceb) [sic]. Subsequently, plaintiff secured an IBRD loan from the same Rural Bank of Compostela for P183,910.00 maturing on October 19, 1983 with Lots No. [sic] 800-A-3, 800-A-2 and 800-A-4, part of the proceeds of which she used to pay the previous loan of P50,000.00 with the same bank (Exhibits F, F-1 and F-2 - Discount and Disclosure Statement on Loan Transaction issued to plaintiff by Rural Bank of Compostela for IBRD loan of P188,910.00 dated November 25, 1983 with net proceeds of P183,242.70; Promissory Note for P188,910.00 executed by plaintiff; and Real Estate Mortgage executed by Carmela and Antonio Montalban over Lots Nos. [sic] 800-A-4, 800-A-2 and 800-A-3). Later, defendants executed another Special Power of Attorney notarized August 19, 1983 for Tax Declaration No. 01-03242 under TCT No. 74735 covering Lot No. 720-A (Exhibit B) and registered with the Register of Deeds (Exhibit B-3), with said SPA (Exhibit B) plaintiff was able to secure a loan from Isla Bank in the amount of P60,000.00 to mature on February 27, 1984 (Exhibit E-Certified true copy of Discount Statement by Isla Bank for loan of P60,000.00 by plaintiff of net proceeds of P52,256.64; and Exhibit E-1-certified true copy of the Real Estate Mortgage executed by plaintiff in favor of Isla Bank over Lot No. 720-A to guarantee loan of P60,000.00). Defendants again issued another Special Power of Attorney (Exhibit A) notarized on May 23, 1984 over Lot No. 800-A-1 covered by TD No. 01-34503 in favor of plaintiff and duly notarized by the Register of Deeds (Exhibit A-3). Plaintiff, with said SPA, secured a loan from J. Finance in the amount of P44,941.75 with maturity date on November 30, 1985 (Exhibit A-2-letter and transmittal dated May 30, 1984 from J. Finance Corporation for loan of P44,941.75 with net proceeds of P35,000.00; and Exhibit N-1 Deed of Real Estate Mortgage executed by Carmela and Antonio Montalban in favor of J. Finance over Lot No. 800-A-I-4). For Lot No. 800-A-1B which was earlier conveyed by defendants to plaintiff in a Deed of Sale (Exhibit M), defendants pressured plaintiff to secure a housing loan with DBP in the amount of P201,000.00 (Exhibits G and G-1-certified true copy of Promissory Note for P103,200.00 and P97,800.00, respectively, dated February 8, 1984) using the same lots as collateral, with defendants promising to convey to plaintiff the adjacent Lot No. 800-A-1-A to serve as lawn for the house erected: pictures of the house were presented as Exhibits L, L-1, L-2, L-3.

For the several loans entered into by plaintiff a total amount of P492,002.04 was actually received by plaintiff as against the total loan of P544,851.75 summarized as follows:

- a) P50,000.00 -loan from R. B. of Compostela, net of P43,859.50
- b) P60,000.00 -from Isla Bank, net proceeds of P52,326.24
- c) P188,910.00 -IBRD loan, net proceeds of P183,242.70
- d) P201,000.00 -DBP loan, net proceeds of P177,573.60
- e) P44,941.75 -from J. Finance, net proceeds of P35,000.00

P544,851.75 -P492,902.04  
(total loan) (total net)

From the net proceeds of P492,002.04, plaintiff remitted to defendants P198,000.00 which was duly receipted XXX."

XXX. "The receipted amount of P198,000.00 is broken down as follows:

a. Exhibit I -handwritten receipt issued by Maria Paray for P20,000.00 dated May 25, 1983. This was considered the down payment for the consideration of P25,000.00 for Lot No. 800-A-1-B conveyed by defendants to plaintiff under Deed of Sale (Exhibit M).

b. Exhibit J -handwritten receipt issued by Maria Paray for P78,000.00 dated November 28, 1983. The balance of P5,000.00 for Lot No. 800-A-1-B was paid from this payment of P78,000.00 (Exhibit J).

C. Exhibit K -handwritten receipt of Maria Paray for P100,000.00 dated February 14, 1984.

xxx

After plaintiff remitted the P20,000.00 (Exhibit I of defendant), Mrs. Paray borrowed plaintiff's title to a lot in Ozamis City, under TCT No. 8648 (Exhibit N dated May 28, 1983), and in turn Mrs. Paray handed to plaintiff the Deed of Sale for Lot No. 800-A-1-B, together with two documents, a Deed of Agreement (Annex A of Answer) and a Supplemental Agreement (Annex B of Answer) for plaintiff to sign. The Supplemental Agreement in effect prohibited plaintiff from selling the land unless with consent of defendant spouses. Plaintiff initially refused to sign the Deed of Agreement as the purchase price indicated P25,170.00 with a down payment of P20,000.00 but the balance reflected was P33,380.00 instead of only P5,000.00, but upon defendants plea, she affixed her signature and issued a post-dated check for P33,380.00 to accommodate defendants with the understanding that those will be deducted from the loan releases and her assurance that these documents won't be notarized. xxx."<sup>[3]</sup>

Petitioner admitted that out of the P492,002.04 net proceeds of the loans, P194,002.04 were used in the building of her house on Lot No. 800-A-1-B,<sup>[4]</sup> the land which was then subject to the DBP housing loan, and P100,000.00 were allegedly given to the bank fixers as grease money for the release of the loans.<sup>[5]</sup> From 1983 to 1984, she also paid P2,342.63 of realty taxes<sup>[6]</sup> on the collaterals and complied with her obligation of paying loan amortization in the amount of P109,916.28.<sup>[7]</sup> When she demanded that a deed of sale be executed over Lot No. 800-A-1-A,<sup>[8]</sup> the lot which was adjacent to Lot No. 800-A-1-B, private respondents

refused to convey said lot claiming that an accounting or liquidation of the loans and the lands she used as collaterals must first be made.<sup>[9]</sup>

On May 5, 1985, petitioner filed a complaint<sup>[10]</sup> for specific performance with damages against private respondents. She alleged, **inter alia**, that in compliance with their agreement, she turned over to private respondents P198,000.00 of loan proceeds,<sup>[11]</sup> deducting the purchase price of P25,120.00 for Lot No. 800-A-1-B from P198,000.00, private respondents were still obligated to convey to petitioner a total of no less than 1,017 square meters of land<sup>[12]</sup> representing the amount of P172,880.00 (P198,000.00 minus P25,120.00) computed at a mutually agreed price of P170.00 per square meter. She asked specifically for the conveyance of the 250 square meter Lot No. 800-A-1-A to provide a spacious lawn to the house built on Lot No. 800-A-1-B<sup>[13]</sup> and to pay back the amount of P130,380.00 (P172,880.00 minus the price of P42,500.00 for Lot No. 800-A-1-A), or in the alternative to pay back the amount of P172,880.00 plus interest.<sup>[14]</sup>

In their Answer,<sup>[15]</sup> private respondents claim that petitioner undertook to buy their six parcels of land with a total area of 4,117 square meters for P699,890.00 at a price of P170.00 per square meter.<sup>[16]</sup> In violation of their agreement that the purchase price would be paid out of the loans secured from various financial institutions, petitioner remitted to private respondents the amount of P198,000.00 only out of the total loan of P544,851.75.<sup>[17]</sup> As to Lot No. 800-A-1-B, they denied that its purchase price was P25,120.00 as claimed by petitioner. They insisted that with the down payment of P20,000.00, petitioner still had a balance of P33,380.00. So petitioner had to issue a postdated check of P33,380.00 and execute a Deed of Agreement offering her real property (TCT No. 8648) as a security for the balance of P33,380.00.<sup>[18]</sup> They also alleged that petitioner incurred loans and advances from them in the amount of P76,200.00 which were used by petitioner in the construction of her house on Lot No. 800-A-1-B.<sup>[19]</sup>

On December 4, 1985, a third party complaint<sup>[20]</sup> was filed by private respondents against Antonio Montalban (Montalban, for brevity). It appears that the real estate mortgage contracts entered into by petitioner with the banks showed that Montalban signed with petitioner as mortgagors and appeared on these documents as the husband of petitioner. Private respondents alleged that since their properties had been encumbered pursuant to the obligations entered into by Montalban and petitioner,<sup>[21]</sup> Montalban should be held solidarily liable with petitioner for their claims adverted to in the complaint.<sup>[22]</sup>

Montalban denied any marital relationship with petitioner contending in his Answer to Third Party Complaint<sup>[23]</sup> that it was private respondents who insisted the he should appear as husband of petitioner to facilitate the release of the loans sought by private respondents. He acceded only by way of an accommodation to the request of the private respondents because they (private respondents) could not be granted the subject loans in their names as they had outstanding obligations with other financial institutions.<sup>[24]</sup>

After trial on the merits, the trial court rendered a decision<sup>[25]</sup> in favor of petitioner.

The dispositive portion of which reads:

"WHEREFORE, this Court finds in favor of plaintiff and against defendants. Defendants are hereby ordered to:

1. Immediately return to plaintiff Owner's duplicate copy of TCT No. T-8648 covering the latter's Ozamis lot free from all liens and encumbrances;
2. Convey to plaintiff Lot Nos. 800-A-1-A under Tax Declaration No. 03242, 800-A-4 under Tax Declaration No. 0133513, 800-A-3 under Tax Declaration No. 33515, Lot 800-A-2 under Tax Declaration No. 33516. If said loans [sic] have been transferred to third parties, defendants shall pay plaintiff the price of said lot or lots which have been transferred to third parties, which is hereby fixed at P170.00 per square meter with interest at the legal rate from date of transfer to third parties;
3. Reimburse plaintiff with the taxes paid on the lands which is P2,343.63 with interest at the legal rate;
4. Pay plaintiff moral damages of P100,000.00; exemplary damages of P50,000.00; attorney's fees of P25,000.00; litigation expenses of P10,000.00 plus costs.

Third Party Complaint is hereby dismissed with costs against defendants-third party plaintiffs.

SO ORDERED."

Dissatisfied with the decision of the trial court, private respondents filed an appeal with the Court of Appeals. After due consideration of the parties' respective Briefs, [26] respondent court promulgated the questioned decision [27] on June 25, 1991, the dispositive portion of which reads:

"WHEREFORE, the decision dated January 20, 1988 is hereby annulled and set aside and another one is rendered, as follows:

1. Sustaining the validity and effectiveness of the sale of Lot 800-A-1-B in favor of appellee;
2. Ordering appellants to return to appellee the owner's duplicate of TCT T-8648;
3. Ordering appellants to execute a Deed Of Absolute Sale in favor of appellee over Lot 800-A-1-A at P300.00/sq. m., within thirty (30) days from the finality of this decision;
4. Ordering appellee to cause the discharge and free lots 800-A-2, 800-A-3 and 800-A-4 from mortgages, liens and encumbrances within thirty (30) days from the finality of this decision;
5. If appellee fails to discharge said lots from the mortgages, liens and