

THIRTEENTH DIVISION

[CA-G.R. CV NO. 98662, March 06, 2015]

**EUGENIO JIMENEZ, ZOSIMA JIMENEZ, AND NENELYN NICOLAS,
PLAINTIFFS-APPELLEES, VS. CRISOSTOMO L. SAN PEDRO AND
SUSAN D. SAN PEDRO, DEFENDANTS-APPELLANTS.**

DECISION

CORALES, J.:

This is an appeal^[1] from the November 4, 2011 Decision^[2] of the Regional Trial Court (RTC), Branch 82, Malolos City, Bulacan in Civil Case No. 177-M-2008 for cancellation of deed of sale and title and recovery of ownership with damages (cancellation of deed case). The assailed Decision nullified the November 7, 2003 and August 6, 2004 *Kasulatan ng Bilihang Tuluyan* between plaintiff-appellee Nenelyn Nicolas (Nicolas) and defendants-appellants Spouses Crisostomo and Susan San Pedro (individually referred by their first name and collectively as Spouses San Pedro) as well as the Transfer Certificate of Title (TCT) No. T-437412 (M) issued pursuant thereto; ordering the Register of Deeds (RD) of Bulacan to cancel said title and reinstate TCT No. T-136542 (M) in the name of Nicolas; and ordering Spouses San Pedro to pay moral damages and attorney's fees.

The Antecedents

The subject property was previously registered in the name of Nicolas under TCT No. T-136542 (M). Her parents, plaintiffs-appellees Spouses Eugenio and Zosima Jimenez (Spouses Jimenez) built a house thereon and occupy the premises.

On November 7, 2003, Nicolas and Spouses San Pedro executed a *Kasulatan ng Bilihang Tuluyan*^[3] (November 7, 2003 *Kasulatan*) with the following stipulations:

X X X

Na dahil at alang-alang sa halagang TATLONG DAAN AT LIMAMPUNG LIBONG PISO (P350,000.00), Salaping Pilipino, na aking/aming tinanggap ng buong kasiyahang loob mula kay CRISOSTOMO SAN PEDRO, kasal kay Susan D. San Pedro(,) Pilipino, may sapat na gulang, at naninirahan sa Lolomboy, Bocaue, Bulacan, ay aking/aming INILILIPAT, ISINASALIN at IPINAGBIBILI ng ganap at patuluyan sa naulit na si CRISOSTOMO SAN PEDRO, sa kanyang/kanilang kahalili o tagapagmana ang lupang binabanggit sa itaas, kasama ang lahat ng mehoras na nakatayo dito, ng ligtas sa lahat ng pananagutan, kanginoman at saan man.

X X X

Six (6) months later, Spouses San Pedro advised Nicolas and her parents to vacate the property because they failed to repurchase the same as supposedly agreed upon. However, after some negotiations, Nicolas and Spouses San Pedro executed another *Kasulatan ng Bilihang Tuluyan*^[4] dated August 6, 2004 (August 6, 2004 *Kasulatan*) which largely reproduced the provisions of the November 7, 2003 *Kasulatan*.

On August 24, 2004, the RD of Meycauayan, Bulacan cancelled Nicolas' TCT No. T-136542 (M) and issued in Crisostomo's name TCT No. T-437412 (M) pursuant to the August 6, 2004 *Kasulatan*.^[5]

Invoking better title to the property as the new registered owners, Spouses San Pedro demanded Nicolas and Spouses Jimenez to vacate the premises. When Spouses San Pedro's demands went unheeded, they instituted an unlawful detainer suit against Nicolas and her parents before the Municipal Trial Court (MTC), Bocaue, Bulacan. After separate trials, the MTC rendered unfavorable judgments against Spouses Jimenez and Nicolas through its November 28, 2011 and July 10, 2009 Decisions,^[6] respectively. These judgments were affirmed by the RTC on appeal.^[7]

During the pendency of the unlawful detainer suit, Nicolas and Spouses Jimenez filed before the RTC the cancellation of deed case claiming that Nicolas' consent to the two (2) *Kasulatan* was vitiated by fraud and undue influence and the real agreement between her and Spouses San Pedro was an equitable mortgage because the two (2) *Kasulatan* were intended as securities to an existing debt, the P350,000.00 consideration for the supposed sale was unusually inadequate for a property worth P1,500,000.00; and Nicolas, the purported vendor, remained in possession of the premises. They further averred that the alleged sale of the house is void *ab initio* because Spouses Jimenez were not privy to the two (2) *Kasulatan*.^[8]

In support of the complaint, Nicolas testified that she obtained a one (1)-year P200,000.00 loan from Spouses San Pedro sometime in January 2002 but she only received P152,000.00 after deducting the 2% advance interest. She signed an unnotarized Real Estate Mortgage (REM) and gave her copy of TCT No. T-136542 (M) to Spouses San Pedro. She was also asked to sign the November 7, 2003 *Kasulatan* as her purported assurance of repayment. Spouses San Pedro did not give her copy of the aforesaid documents but assured her that the same would not be notarized. She failed to settle her loan within the agreed one (1)-year period, but Spouses San Pedro extended the period of payment subject to another 5% interest. Thereafter, she paid P50,000.00 as interest and another P50,000.00 for the principal loan, which was allegedly an overpayment as evidenced by the June 22, 2006 promissory note^[9] of Crisostomo wherein he promised to return the same amount on or before May 2007. She further claimed to have paid P200,000.00 to Crisostomo as shown by a June 24, 2003 acknowledgment receipt.^[10] Despite full payment, Spouses San Pedro neither returned her TCT No. T-136542 (M) nor cancelled the documents she previously signed; they merely told her that the lawyer would "process" the same and asked for her cedula. In August 2004, she followed up the release of her TCT No. T-136542 (M), but again, Spouses San Pedro requested her to provide them a *cedula*. In the meantime, she and her parents continue to reside in the premises until Spouses San Pedro asked them to vacate showing photocopies of the two (2) *Kasulatan* properly filled in and the latter's TCT No. T-437412 (M) to

the land. Nicolas denied receiving the P350,000.00 supposed consideration set forth in the *Kasulatan*.^[11]

In defense, Spouses San Pedro alleged in their Answer with Compulsory Counterclaim^[12] that they purchased the property from Nicolas by virtue of the November 7, 2003 *Kasulatan*, with the option to repurchase the same within six (6) months, otherwise, the latter would vacate the premises. They insisted that Nicolas and her parents have no cause of action against them because they are the absolute and lawful owners of the property and the validity of the November 7, 2003 *Kasulatan* had been acknowledged by Spouses Jimenez in a November 2, 2007 letter. They interposed counterclaims for moral and exemplary damages and attorney's fees.

Crisostomo testified that he paid Nicolas P350,000.00 in cash as consideration for the November 7, 2003 *Kasulatan* and neither of them owe each other any sum of money. He denied engaging in the buy-and-sell of real estate and claimed that the P800,000.00-loan, evidenced by a January 31, 2002 *Katunayan*, was a distinct transaction which preceded the sale of the property. He and Nicolas executed the August 6, 2004 *Kasulatan* to provide a six (6)-month extension period for the repurchase, but the latter still failed to do so; thus, his counsel sent the September 26, 2007 demand letter to vacate.^[13] Nicolas and Spouses Jimenez responded through the November 2, 2007 letter,^[14] which, according to Crisostomo, was an acknowledgment of the sale of the land. He further testified that the property had been declared in his name with a market value of P217,360.00.^[15]

The Ruling of the RTC

In its November 4, 2011 Decision,^[16] the RTC held that the transaction between the parties was an equitable mortgage considering the following circumstances: the extension of the redemption period in favor of Nicolas; her continued residence on the property; and the real intention of the parties to secure payment of a debt. It took note of Nicolas' June 24, 2003 acknowledgment receipt of payment of loan in contrast to Crisostomo's failure to produce proof of payment of the supposed consideration for the sale. It thus declared the deed of sale void *ab initio* for lack of consideration and disposed the case as follows:

WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiffs:

1. Declaring the "*Kasulatan ng Bilihang Tuluyan*" dated November 7, 2003 and August 6, 2004 between plaintiff Nenelyn Nicolas and defendant Crisostomo San Pedro as null and void;
2. Declaring the Transfer Certificate of Title No. T-437412 (M) in the name of defendant Crisostomo San Pedro married to Susan San Pedro as null and void;
3. Ordering the Office of the Register of Deeds of Province of Bulacan to cancel Transfer Certificate of Title No. T-437412 (M) in the name of defendant Crisostomo San Pedro married to Susan San Pedro and to reinstate TCT No. T-136542 (M) in the name of plaintiff Nenelyn

Nicolas;

4. Ordering defendants-spouses Crisostomo San Pedro and Susan San Pedro to pay plaintiffs the Moral damages in the sum of **Thirty Thousand Pesos (Php 30,000.00)** and Attorney's fees in the sum of **Twenty Thousand Pesos (P20,000.00)**[.]

No costs.

SO ORDERED. (Emphasis and italics appear in the original text of the Decision.)

Aggrieved, Spouses San Pedro filed the instant appeal with the following assignment of errors:^[17]

I

THE LOWER COURT ERRED IN FINDING THAT THE CONTRACT ENTERED INTO BY THE PARTIES WAS ONE FOR EQUITABLE MORTGAGE AND NOT OF SALE;

II

THE LOWER COURT ERRED IN DECLARING THE "KASULATAN NG BILIHANG TULUYAN" dated NOVEMBER 7, 2003 AND AUGUST 6, 2004, BETWEEN PLAINTIFF NENELYN NICOLAS AND DEFENDANT CRISOSTOMO SAN PEDRO AS NULL AND VOID BY MERE PREPONDERANCE OF EVIDENCE;

III

THE LOWER COURT ERRED IN AWARDING MORAL DAMAGES AND ATTORNEY'S FEES IN FAVOR OF PLAINTIFFS-APPELLEES.

Spouses San Pedro insist that the August 6, 2004 *Kasulatan* was a deed of absolute sale, not an equitable mortgage, which merely affirmed or ratified the November 7, 2003 *Kasulatan* and did not in any way extend the redemption period or grant a new period. They invoke the presumption of regularity and due execution of a notarized document and argue that a mere denial or bare allegation is not a clear and convincing evidence which could rebut the presumption. They add that Spouses Jimenez admitted the validity and due execution of the sale in their November 2, 2007 letter. They further fault the RTC for requiring them to present receipt for the purchase price despite the acknowledgment of payment embodied in the two (2) *Kasulatan*. Lastly, they deny exerting undue influence on Nicolas and claim that the purchase price is adequate, in fact, it exceeds the market value of the property indicated in the corresponding tax declaration.^[18]

Nicolas and Spouses Jimenez echo the findings of the RTC as to the circumstances showing equitable mortgage. They argue that the November 2, 2007 letter showed Nicolas' lack of intent to sell the subject property to Spouses San Pedro and quote the pertinent portion thereof where they stated that the transaction merely masked the loan extended to their daughter. They argue that the purported deed of sale is a simulated contract with false consideration, thus, void under Article 1353 of the New