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THIRD DIVISION

[G.R. No. 185530, April 18, 2018]

MAKATI TUSCANY CONDOMINIUM CORPORATION, PETITIONER, VS. MULTI-REALTY DEVELOPMENT CORPORATION, RESPONDENT.

DECISION

LEONEN, J.:

Reformation of an instrument may be allowed if subsequent and contemporaneous acts of the parties show that their true intention was not accurately reflected in the written instrument.

This resolves the Petition for Review on Certiorari[1] filed by Makati Tuscany Condominium Corporation (Makati Tuscany), assailing the April 28, 2008 Amended Decision[2] and December 4, 2008 Resolution[3] of the Court of Appeals in CA-G.R. CV No. 44696.

In 1974, Multi-Realty Development Corporation (Multi-Realty) built Makati Tuscany, a 26-storey condominium building located at the corner of Ayala Avenue and Fonda Street, Makati City.[4]

Makati Tuscany had a total of 160 units, with 156 ordinary units from the 2nd to the 25th floors and four (4) penthouse units on the 26th floor.[5] It also had 270 parking slots which were apportioned as follows: one (1) parking slot for each ordinary unit; two (2) parking slots for each penthouse unit; and the balance of 106 parking slots were allocated as common areas.[6]

On July 30, 1975, Multi-Realty, through its president Henry Sy, Sr., executed and signed Makati Tuscany's Master Deed and Declaration of Restrictions (Master Deed), [7] which was registered with the Register of Deeds of Makati in 1977.[8]

Sometime in 1977, pursuant to Republic Act No. 4726, or the Condominium Act, Multi-Realty created and incorporated Makati Tuscany Condominium Corporation (MATUSCO) to hold title over and manage Makati Tuscany's common areas. That same year, Multi-Realty executed a Deed of Transfer of ownership of Makati Tuscany's common areas to MATUSCO.[9]

On April 26, 1990, Multi-Realty filed a complaint for damages and/or reformation of instrument with prayer for temporary restraining order and/or preliminary injunction against MATUSCO. This complaint was docketed as Civil Case No. 90-1110 and raffled to Branch 59 of Makati Regional Trial Court.[10]

Multi-Realty alleged in its complaint that of the 106 parking slots designated in the

Master Deed as part of the common areas, only eight (8) slots were actually intended to be guest parking slots; thus, it retained ownership of the remaining 98 parking slots.[11]

Multi-Realty claimed that its ownership over the 98 parking slots was mistakenly not reflected in the Master Deed "since the documentation and the terms and conditions therein were all of first impression,"[12] considering that Makati Tuscany was one of the first condominium developments in the Philippines.[13]

On October 29, 1993, the Regional Trial Court[14] dismissed MultiRealty's complaint. It noted that Multi-Realty itself prepared the Master Deed and Deed of Transfer; therefore, it was unlikely that it had mistakenly included the 98 parking slots among the common areas transferred to MATUSCO. It also emphasized that Multi-Realty's prayer for the reformation of the Master Deed could not be granted absent proof that MATUSCO acted fraudulently or inequitably towards Multi-Realty. Finally, it ruled that Multi-Realty was guilty of estoppel by deed.[15] The *fallo* of its Decision read:

> Premises considered, this case is dismissed. [MATUSCO's] counterclaim is likewise dismissed the same not being compulsory and no filing fee having been paid. [Multi-Realty] is however ordered to pay [MATUSCO's] attorney's fees in the amount of P50,000.00
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> Cost against plaintiff.
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> SO ORDERED.[16]

Both parties appealed the Regional Trial Court Decision to the Court of Appeals. On August 21, 2000, the Court of Appeals[17] dismissed both appeals on the ground of prescription.

In dismissing Multi-Realty's appeal, the Court of Appeals held that an action for reformation of an instrument must be brought within 10 years from the execution of the contract. As to the dismissal of MATUSCO's appeal, the Court of Appeals ruled that its claim was based on a personal right to collect a sum of money, which had a prescriptive period of four (4) years, and not based on a real right, with a prescriptive period of 30 years.[18]

The *fallo* of the Court of Appeals August 21, 2000 Decision read:

> WHEREFORE, foregoing premises considered, no merit in fact and in law is hereby ORDERED DISMISSED, and the judgment of the trial court is MODIFIED by deleting the award of attorney's fees not having been justified but AFFIRMED as to its Order dismissing both the main complaint of [Multi-Realty] and the counterclaim of [MATUSCO]. With costs against both parties.
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> SO ORDERED.[19]

Multi-Realty moved for reconsideration,[20] but its motion was denied in the Court of Appeals January 18, 2001 Resolution.[21] It then filed a petition for review[22] before this Court.

On June 16, 2006, this Court in *Multi-Realty Development Corporation v. The Makati Tuscany Condominium Corporation*[23] granted Multi-Realty's petition, set aside the assailed Court of Appea]s August 21, 2000 Decision, and directed the Court of Appeals to resolve Multi-Realty's appeal.

Multi-Realty Development Corporation ruled that the Court of Appeals should have resolved the appeal on the merits instead of motu proprio resolving the issue of whether or not the action had already prescribed, as the issue of prescription was never raised by the parties before the lower courts.[24]

Nonetheless, *Multi-Realty Development Corporation* held that even if prescription was raised as an issue, the Court of Appeals still erred in dismissing the case because Multi-Realty's right to file an action only accrued in 1989 when MATUSCO denied Multi-Realty's ownership of the 98 parking slots. The Court of Appeals ruled that it was only then that Multi-Realty became aware of the error in the Master Deed, thereafter seeking its reformation to reflect the true agreement of the parties. Thus, prescription had not yet set in when Multi-Realty filed its complaint for reformation of instrument in 1990.[25]

The *fallo* in *Multi-Realty Development Corporation* read:

> **IN LIGHT OF ALL THE FOREGOING**, the petition is *GRANTED*. The Decision of the Court of Appeals in CA-G.R. CV No. 44696 is *SET ASIDE*. The Court of Appeals is directed to resolve [Multi-Realty's] appeal with reasonable dispatch. No costs.
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> **ORDERED.**[26] (Emphasis in the original)

On November 5, 2007, the Court of Appeals[27] denied both appeals.

Regarding Multi-Realty's appeal, the Court of Appeals held that the Master Deed could only be read to mean that the 98 parking slots being claimed by Multi-Realty belonged to MATUSCO. It highlighted that the language of the Master Deed, as prepared by Multi-Realty, was clear and not susceptible to any other interpretation.[28]

The Court of Appeals upheld the Regional Trial Court's finding that Multi-Realty was guilty of estoppel by deed and likewise declared that MATUSCO was not estopped from questioning Multi-Realty's claimed ownership over and sales of the disputed parking slots.[29]

The *fallo* of the Court of Appeals November 5, 2007 Decision read:

> **WHEREFORE**, the instant appeals are hereby **DENIED**. The assailed Decision dated October 29, 1993 of the Regional Trial Court (Branch 65), Makati, Metro Manila (now Makati City), in Civil Case No.
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> 90-1110 is **MODIFIED**-in that: (1) the counterclaim of The Makati Tuscany Condominium Corporation is **DISMISSED**-not on the ground of non-payment of docket fees but on ground of prescription; and, (2) the

> award of attorney's fees in favor of The Makati Tuscany Condominium Corporation is **DELETED** for not having been justified. We however **AFFIRM** in all other aspects. Costs against both parties.
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> **SO ORDERED.**[30] (Emphasis in the original)

Multi-Realty moved for the reconsideration of the Court of Appeals November 5, 2007 Decision and on April 28, 2008, the Court of Appeals promulgated an Amended Decision,[31] reversing its November 5, 2007 Decision and directing the reformation of the Master Deed and Deed of Transfer.

In reversing its November 5, 2007 Decision, the Court of Appeals ruled that the Master Deed and Deed of Transfer did not reflect the true intention of the parties on the ownership of the 98 parking slots.[32]

The Court of Appeals stated that in reformation cases, the party asking for reformation had the burden to overturn the presumption of validity accorded to a written contract. It held that Multi-Realty was able to discharge this burden.[33]

The *fallo* of the Court of Appeals April 28, 2008 Amended Decision read:

> **WHEREFORE**, premises considered, the present Motion for
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> Reconsideration is **PARTLY GRANTED**. Our Decision dated November
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> 05, 2007 is hereby **MODIFIED**-in that We **ORDER** the reformation of the **Master Deed and Declaration of Restrictions of the Makati Tuscany Condominium Project** and the **Deed of Transfer**-to clearly provide that the ownership over the ninety[-]eight (98) extra parking lots be retained by Multi-Realty Development Corporation. We however **DENY** the damages and attorney's fees prayed for by Multi-Realty Development Corporation. We **AFFIRM** in all other respects. No costs.
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> **SO ORDERED.**[34] (Emphasis in the original)

MATUSCO moved for the reconsideration[35] of the Amended Decision, but its motion was denied in the Court of Appeals December 4, 2008 Resolution.[36]

On February 5, 2009, MATUSCO filed its Petition for Review[37] on Certiorari before this Court.

In its Petition, petitioner claims that the Court of Appeals erred in granting Multi-Realty's appeal because there was no basis to reform the Master Deed and Deed of Transfer. It asserts that there was no mistake, fraud, inequitable conduct, or accident which led to the execution of an instrument that did not express the true intentions of the parties. It avers that the instruments clearly expressed what the parties agreed upon.[38]

Petitioner also assails the Court of Appeals' ruling that it was estopped from questioning respondent's sales of26 out of the 98 contested parking slots and from claiming ownership of the remaining unsold parking slots because it was supposedly

fully aware of respondent's ownership of them and did not oppose its sales for 9 years.[39]

Petitioner maintains that estoppel cannot apply because the sales made by respondent were patently illegal as they went against the stipulations in the Master Deed. Furthemore, petitioner contends that it never misled respondent regarding ownership of the 98 parking slots since it was respondent itself which drafted the Master Deed and Deed of Transfer that turned over ownership of the common areas, including the 98 parking slots, to MATUSCO.[40]

In its Comment,[41] respondent insists that it never intended to include the 98 parking slots among the common areas transferred to MATUSCO. It avers that due to its then inexperience with the condominium business, with Makati Tuscany being one of the Philippines' first condominium projects, the Master Deed and Deed of Transfer failed to reflect the original intention to exclude the 98 parking slots from Makati Tuscany's common areas.[42]

Respondent points to the parties' subsequent acts that led to the only conclusion that it was always the intention to exclude the 98 parking slots from the common areas, and that this was known and accepted by petitioner from the beginning.[43]

Respondent maintains that the Petition raises factual findings and prays that this Court take a second look at the evidence presented and come up with its own factual findings, in derogation of the purpose of an appeal under Rule 45 of the Rules of Court, which generally limits itself to questions of law.[44]

Respondent also points out that in *Multi-Realty Development Corporation*, this Court, in its recital of material facts, acknowledged that it retained ownership over the 98 parking slots, but that its ownership over them was not reflected in the Master Deed and Deed of Transfer. Thus, respondent asserts that the issue of ownership can no longer be threshed out on appeal on the ground of *res judicata*. [45]

In its Reply,[46] petitioner claims that just like respondent, it also committed a mistake in good faith and "also labored under a mistaken appreciation of the nature and ownership of the ninety[-]eight (98) parking slots"[47] when it failed to object to respondent's sales of some of the parking slots from 1977 to 1986 and when it issued Certificates of Management over the sold parking slots. It was only later that petitioner realized the extent of its legal right over the 98 parking slots; consequently, it exerted effort to exercise its dominion over them. Petitioner argues that this cannot be characterized as bad faith on its part.[48]

Petitioner adds that the Master Deed and Deed of Transfer are public documents, being duly registered with the Register of Deeds of Makati City, ergo, their terms, conditions, and restrictions are valid and binding *in rem*. It opines that for the Court of Appeals to change the clear and categorical wordings of the Master Deed more than 30 years after its registration goes against public policy and the Condominium Act.[49]

Petitioner insists that if respondent merely made a mistake in including the 98