

## FIRST DIVISION

[ G.R. No. 191914, August 09, 2017 ]

**AGNES V. GUISON, PETITIONER, V. HEIRS OF LOREÑO TERRY,  
JOSE U. ALBERTO III, SPOUSES MEDIN M. FRANCISCO AND  
FRANCIA M. FRANCISCO, FE M. ALBERTO AND ELISA B.  
SARMIENTO, RESPONDENTS.**

### DECISION

**SERENO, C.J.:**

This resolves the Petition<sup>[1]</sup> filed by Agnes V. Guison to assail the Court of Appeals (CA) Decision<sup>[2]</sup> and Resolution<sup>[3]</sup> in CA-G.R. CV No. 90319. Reversing the earlier Decision<sup>[4]</sup> of the Regional Trial Court (RTC), the CA sustained the validity of certain instruments of conveyance in favor of respondent Loreño Terry.<sup>[5]</sup> These instruments pertained to a 3,000-square-meter parcel of land located in Virac, Catanduanes, and covered by Transfer Certificate of Title No. (TCT) 12244.<sup>[6]</sup>

### FACTUAL ANTECEDENTS

The facts, as culled from the records, are as follows.

On 14 March 1995, a Deed of Absolute Sale<sup>[7]</sup> was executed in favor of respondent Terry by Angeles Vargas, the father of petitioner. The subject of the sale was a parcel of agricultural land located in Moonwalk, Danicop, Catanduanes, with an area of 1.3894 hectares and identified as Lot No. 10628-pt. In the deed, Vargas acknowledged receipt of the payment for the lot in the amount of P5,557.60.

Between September and December 1995, Terry sold certain parts of the lot to third parties, namely, Jose U. Alberto III (583 square meters),<sup>[8]</sup> Alona M. Guerrero (400 square meters)<sup>[9]</sup> and respondent Lino Gianan (200 square meters).<sup>[10]</sup> Gianan is a respondent in this case.

On 22 January 1996, Vargas and Terry executed an Agreement of Revocation of Sale<sup>[11]</sup> (Revocation Agreement) relating to the same parcel of land. The instrument stated that Vargas had erroneously sold the entire area of Lot 10628-pt to Terry. The parties, however, averred that their true intention was only to convey a 3,000-square-meter portion of the land to Terry, considering that there was no monetary consideration for the transaction. Consequently, they agreed to revoke the earlier Deed of Absolute Sale to the extent of 1.0894 hectares, while affirming the validity of the conveyance to Terry of a 3,000-square-meter portion, whose actual location would later be determined by both parties in a separate document. The agreement states:

WHEREAS, a Deed of Absolute Sale of Real Property was executed by [Angeles S. Vargas] on March 14, 1995, in Manila, whereby a 1.3894

has. of land in Moonwalk & Danicop, Virac, Catanduanes was erroneously sold to [Loreño Terry];

WHEREAS, the intention of both parties was the transfer of only Three Thousand (3,000) square meters [sic] portion thereof, considering that there was not even any monetary consideration in the sale;

NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereto hereby REVOKE the sale said parties executed on March 14, 1995 to the extent of 1.0894 has. while retaining as valid the transfer to [Loreño Terry] the area of Three Thousand (3,000) square meters.

That the actual location of said 3,000 square meters shall be determined by both parties in a separate document consonant with this agreement but forming part hereof.

Vargas died on 10 June 1998<sup>[12]</sup> with no agreement executed regarding the actual location of the land conveyed to Terry.

On 3 May 2000, a Partition Agreement<sup>[13]</sup> was entered into by the Heirs of Angeles Vargas, represented by petitioner, and respondent Terry. The instrument, which was executed for the purpose of physically segregating the 3,000-square-meter portion allotted to Terry, provides:

1. WHEREAS, the late Angeles Vargas left a parcel of land more particularly described as follows:

A parcel of agricultural land situated in Moonwalk, Virac, Catanduanes designated as Lot No. 10628-portion containing an area of 1.3894 hectares, more or less, declared under A.R.P. No. 011-0723 in the name of Angeles S. Vargas and bounded as follows:

North -- Lot No. 10628-part

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East --- Lot No. 10627; Lot No. 12438 and Lot No.  
----- 10649;

South -- Lot No. 10630

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West --- Lot No. 10628-part

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2. WHEREAS, Lorenzo Terry is entitled to a portion of said land with an area of Three Thousand (3,000) Square Meters;

3. WHEREAS, it is the mutual agreement of all parties to partition the said land in order to physically segregate the 3,000 square meter portion belonging to Lorenzo Terry from the bigger remaining portion;

WHEREFORE, the parties do hereby [p]artition the abovesaid property in accordance with the attached Subdivision Plan as follows:

TO LORENIO TERRY:

The Southwestern portion of Lot No. 10628-part with an area of Two Thousand Six Hundred (2,600) Square Meters as indicated in the attached Subdivision Plan;

The Western portion of Lot No. 10628-part with an area of Four Hundred (400) Square Meters as indicated in the attached Subdivision Plan; and

The Three Thousand (3,000) Square Meters portion which is hereby adjudicated to Lorenzo Terry, already INCLUDES the portion which he sold to third persons prior to the execution of the Revocation of Deed of Sale;

TO THE HEIRS OF ANGELES VARGAS:

The entire remaining portion of Lot 10628-part with an area of Ten Thousand Eight Hundred Ninety Four (10,894) Square Meters more or less, as show[n] in the attached Subdivision Plan;

The undersigned parties do hereby respect and recognize each other's rights as absolute owners of the portion respectively adjudicated to them by virtue of this Partition Agreement, and they hereby request the Assessor's Office to effect the transfer of the A.R.P. to the names of the corresponding party in accordance with this Partition Agreement and the attached Subdivision Plan.

Thereafter, Terry sold other portions of the property to third parties, specifically, Alex Laynes (500 square meters),<sup>[14]</sup> Elisa Sarmiento (400 square meters),<sup>[15]</sup> Fe Alberto (400 square meters),<sup>[16]</sup> Medin Francisco (200 square meters),<sup>[17]</sup> Eddie Alcantara (100 square meters),<sup>[18]</sup> and Oswaldo de Leon (200 square meters).<sup>[19]</sup> All the foregoing transactions left Terry with ownership of only 17 square meters of the lot.<sup>[20]</sup>

On 8 May 2000, the heirs of Vargas executed an Extrajudicial Settlement of Estate Among Heirs.<sup>[21]</sup> In that instrument, Lot 10628-pt was allotted to petitioner as part of her share of the estate.<sup>[22]</sup>

On 16 November 2006, petitioner filed a Complaint<sup>[23]</sup> for annulment of contracts, *accion publiciana*, and damages against Terry and all those who had allegedly purchased portions of Lot 10628-pt from him, i.e. Jose U. Alberto III, Spouses Medin M. Francisco and Francia M. Francisco, Eddie Alcantara, Fe M. Alberto, Elisa B. Sarmiento, Lino S. Gianan, Alex Laynes, Alona Guerrero and Oswaldo de Leon.

The instruments sought to be annulled were the following: (a) the original Deed of Absolute Sale executed by Vargas in favor of Terry; (b) the Agreement of Revocation of Sale signed by Vargas and Terry; (c) the Partition Agreement entered into by petitioner and Terry; and (d) the Deeds of Absolute Sale executed by Terry in favor of third parties.

Petitioner argued that the original Deed of Absolute Sale and the Agreement of Revocation of Sale should be considered void for lack of consideration. She then contended that the nullity of those earlier instruments led to the invalidity of the Partition Agreement, because it was signed in the mistaken belief that Terry had a right to the property.

On 11 January 2007, Terry filed his Answer<sup>[24]</sup> before the RTC. Refuting the assertions in the Complaint, he insisted that the 3,000-square-meter lot was conveyed to him by Vargas. Terry explained that the property was in fact originally owned by his grandfather, but incorrectly registered in the name of Fernando Vargas, who was petitioner's predecessor-in-interest. The original Deed of Absolute Sale was purportedly executed to rectify the error in registration and restore the property to its rightful owner. Terry further alleged that he had only signed the Agreement of Revocation of Sale in consideration of his closeness to the Vargas family and in order to avoid litigation. He pointed out that petitioner herself confirmed the validity of the instruments of sale by executing the Partition Agreement after the death of Vargas.

For their part, respondents Laynes, Spouses Francisco, Alcantara, Gianan, De Leon, Sarmiento and Fe Alberto all claimed to be buyers in good faith. In their respective Answers<sup>[25]</sup> before the RTC, they insisted that they had merely relied upon the Partition Agreement; in particular, the statements made by petitioner acknowledging Terry's entitlement to the property. These declarations, it was argued, estopped petitioner from now seeking recovery of the portions of the property sold to third persons.

Respondents Guerrero and Jose Alberto III did not file Answers with the RTC. Petitioner later withdrew her Complaint against them.<sup>[26]</sup>

### **RTC RULING**

After trial, the RTC rendered a Decision<sup>[27]</sup> in favor of petitioner. Citing the absence of certain elements of a sale, the trial court declared that the Deed of Absolute Sale, Revocation Agreement, and Partition Agreement were invalid contracts:

The following belies defendant's claim of ownership over the 3,000 sq. m. lot.

1. Vargas and defendant Terry revoked the Deed of [A]bsolute Sale dated March 14, 1995 because of want of monetary consideration and failure of the contract to reflect the true intention of the parties. Thus, there was no sale at all of any portion of Lot No. 10628.
2. The Agreement of Revocation of [S]ale merely affirms the intention of the parties to transfer the 3,000 sq. m. lot to defendant Terry as gleaned from the parties['] promise to specify the actual location of the 3,000 sq. m. lot in a separate document and the absence of agreement as to the price of the 3,000 sq. m. lot and the absence of [any] statement that defendant Terry had already paid therefor.

Verily, the allege[d] conveyance of the 3,000 sq. m. lot to defendant Terry under the Agreement of Revocation of Sale was also without valuable consideration.

As it was, defendant Terry capitalized on the Agreement of Revocation of Sale and lured the heirs of Vargas into signing the Partition Agreement dated May 3, 2000. The Court gives credence to the testimony of the plaintiff that she signed the Partition Agreement only because of the

promise of defendant Terry that he shall cause the approval of the draft of the subdivision plan that he had shown to plaintiff and that he shall pay the heirs of Vargas the prevailing price for the 3,000 sq. m. lot upon the approval of the subdivision plan (Exh. "D"). But defendant Terry failed to make good his promise to cause the approval of the subdivision plan nor pay for [the] lot. Indeed, defendant Terry miserably failed to present any receipt or proof of payment for the said 3,000 sq. m. lot nor produce the approved subdivision plan as stipulated in the Partition Agreement.<sup>[28]</sup>

With respect to the other respondents, the RTC declared that they were not purchasers in good faith, as they had failed to exercise the required diligence before buying the property:

Facts and circumstances surrounding this case debunk the presumption of good faith on the part of defendants. To elucidate, it was clear to them that, at the time of sale, defendant Terry [had] no certificate of title to prove ownership over the lot being sold, instead, they merely relied on several documents which they did not verify and [the] genuineness of which were doubtful at the beginning. The lots sold by defendant Terry to his co-respondents are part of the lot registered in the name of Angeles Vargas under TCT No. 8193 and later in the name of the plaintiff under TCT No. 1224. The herein buyers of defendant Terry simply failed to exercise the diligence of investigating the ownership of the vendor.

Thus on the issue on whether Terry's co-defendants are buyers in good faith, the Court rules in the negative.<sup>[29]</sup>

Based on the above findings, the RTC ordered respondents to vacate the land and surrender possession to petitioner within 15 days from notice of the Decision. Respondents were likewise held solidarily liable to petitioner for (a) P50,000 as attorney's fees and (b) P5,000 per appearance of counsel before the trial court.

Respondents Alcantara, De Leon, Gianan and Spouses Francisco sought reconsideration<sup>[30]</sup> of the Decision, but their motion was denied.<sup>[31]</sup> They no longer appealed the Order denying their Motion for Reconsideration.

Meanwhile, respondents Terry, Alberto, and Sarmiento opted to file a Notice of Appeal<sup>[32]</sup> instead of a motion for reconsideration. The RTC gave due course to the appeal and ordered the elevation of the records of the case to the CA.<sup>[33]</sup>

### **THE CA RULING**

In its Decision<sup>[34]</sup> dated 19 March 2009, the CA reversed the ruling of the RTC. While recognizing the nullity of the Deed of Absolute Sale given the parties' admission that there was no consideration for the transaction, the appellate court found no reason to invalidate the Revocation Agreement. It ruled that this independent document proved the true intent of the parties to transfer 3,000 square meters of the disputed property to Terry, even without consideration. The CA also declared that the claims of petitioner were barred by *laches*, considering that she had allowed more than six years to elapse before asserting her rights against respondents.